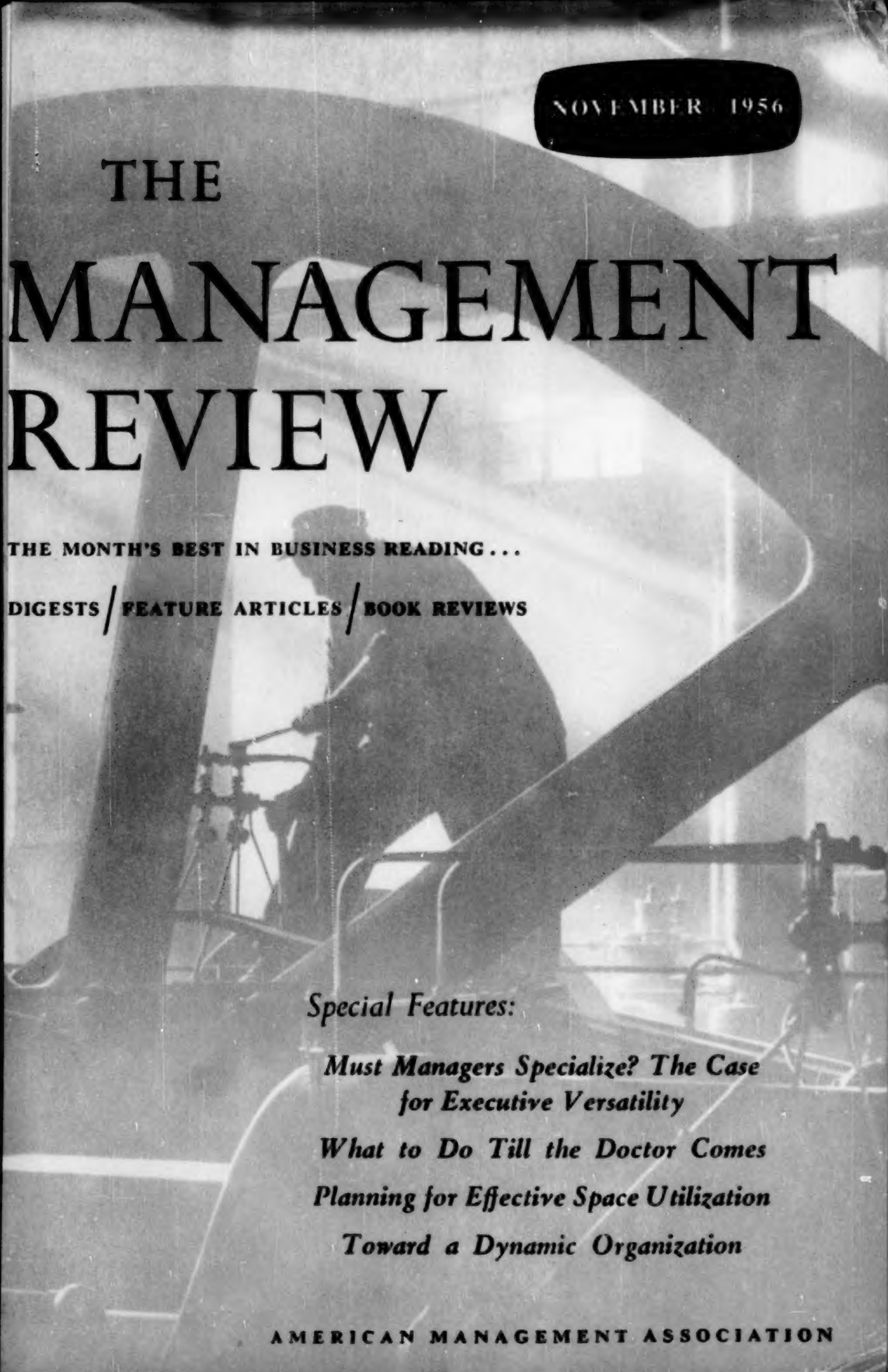

NOVEMBER 1956

THE MANAGEMENT REVIEW

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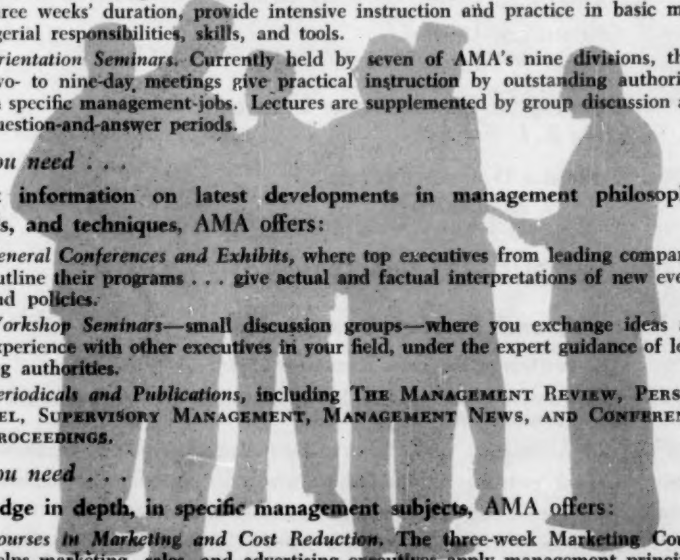

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THE
MANAGEMENT REVIEW

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Cover photograph: Ewing Galloway

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THE MANAGEMENT REVIEW is published monthly by the American Management Association, Inc., at 1515 Broadway, Times Square, New York 36, N. Y. Entered as second-class matter March 26, 1925, at the Post Office at New York, N. Y., under the act of March 3, 1879. Subscriptions: $7.50 per year (non-members, $12.50). Single copies: $1.00 (non-members, $1.25). Volume XLV, No. 11, November, 1956.

Changes of address should be forwarded to the publishers *one month in advance*, and postal zone numbers should be included in all addresses.

The object of the publications of the American Management Association is to place before the reader ideas which it is hoped may prove interesting and informative, but the Association does not stand sponsor for views expressed by authors in articles issued in or as its publications.

An index to THE MANAGEMENT REVIEW is published annually with the December issue. The contents are also indexed in the Industrial Arts Index. THE MANAGEMENT REVIEW is microfilmed by University Microfilms, Ann Arbor, Mich.

The Problem of Executive Discontent

A MANUFACTURING COMPANY with half a dozen plants is faced with the prospect of naming a new production vice president. The logical candidates are the managers of its three largest plants.

Two men, no matter how able, are not going to make it. It was not unexpected: all three knew—had long known—that only one could be chosen. Very rarely will the losers crack up—they will master their feelings, put on a cheerful face. But, underneath, they cannot escape a feeling of entrapment.

Some such experience faces most 40- to 50-year-old executives in medium-sized to large U. S. corporations today. There are many more middle-rank executives than can possibly be promoted into top management.

It is quite possible that the discontents of the middle-rank executive stem as much from personal as from business circumstances. But the focus of his discontent is the gulf in his career between aspiration and reality—between his belief in his right and duty to get ahead (which helped make him an executive in the first place) and the abrupt narrowing that occurs near the top of the executive pyramid.

Middle-rank executives always have one thing in common: they are getting older. Because of the very subtlety of the process, they find it hard to face the fact realistically that they are changing. To be sure, the middle-aged executive is occasionally struck by the deterioration in his golf game, the shrinkage in his liquor capacity, or his need for more rest in order to bounce back from a tough night; but he can easily rationalize these symptoms by blaming them on a hard day at the office, or whatever. What preoccupies him more is a growing sense of entrapment. He begins to see the likely end of the road, though he may not yet have arrived there.

Is there anything positive that can be done about executive discontent?

A number of psychiatrists, clinical psychologists, sociologists, and company medical directors think there is. These professional students of the psyche tend to divide into two groups, which may be called "environmentalists" and "fundamentalists." The general "environmentalist" advice to top management goes as follows:

1. Let middle-management men know where they stand, through some regular, impersonal assessment procedure.
2. Set a low compulsory retirement age—say sixty-two or even sixty—to allow earlier middle-management promotions.
3. Decentralize the company into

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the largest possible number of autonomous divisions, thus increasing the number of top-management jobs.

4. Find ways of bolstering the egos of the middle-rank executives whose upward movement is blocked.

5. Capitalize on what might seem like personality defects in executives—even build jobs around these qualities. An industrial consultant cites the case of a brilliant, sarcastic, suspicious research worker who was reclaimed by being put in charge of a new department whose function was to examine and criticize new products just before they went into production.

Such bland prescriptions stir a vigorous protest from the "fundamentalists." The stresses of business life, most psychiatrists maintain, may trigger a breakdown, but they are not the cause; the man is at war with *himself* and it is individual therapy he needs, not manipulation of the environment.

There is one cause of executive discontent that is perhaps too obvious and uncomplicated for the psychiatrists to spend much time on. That is the simple fact that people get tired of doing the same thing for years and years.

The middle-aged, middle-rank executive may have been with his company 25 years; he's had promotions and changes of scene within the company, but that one company is still a pretty small corner of a big and interesting world. Hence that beguiling daydream, the second career. More and more he begins to wonder if his work is enough *fun*. Before he gets much older, he thinks, he will get around to that second career.

But he won't. *Fortune* interviewed a cross section of executives, corporations, and management consultants, and found scarcely any clear-cut cases of executives turning to entirely new careers in business or the professions.

The executive well realizes that he will be abandoning much of the capital his present skills represent, and he is enough of a realist to know that the difficulty of mastering a new job—and the risks—is a little too great. Still, it has been a solace, and once in a while he can pause to think what a hell of a job he could have done if it hadn't been for all those other things.

Most young men don't think such escape valves will be needed at all. Too much ambition is the root of executive discontent, they think, and by centering more of their life around the barbecue pit they expect to avoid the disappointments of later years.

But the young men's idea of the good life is far from modest. They disclaim interest in the dollar, but they want a lot of what it buys, and in this respect it *is* the money that counts. All they want, they say, is a nice upper-middle-class home in the suburbs, three or four children (who will, of course, go to college), two cars, a few club memberships, a trip to Europe once in a while, and maybe a small boat on the lake, by the summer cottage. This is to be done on $10,000 to $15,000.

Second, in their business careers they will find ambition hard to re-

press. During the first few years—when it seems that almost any trainee who can read or write goes up automatically—the struggle is muted. As time goes on, however, it becomes apparent that some are going up faster than others.

The young man may only want to "keep even," but since he and his contemporaries can't get together in a gentleman's agreement, they end up competing as hard as if they coveted the presidency.

Goals come into focus that once seemed unattainable. And each step will evoke from him the extra small measure of ambition that makes the next higher step seem both desirable and possible. The rat race, in short, will continue.

■ *Dero A. Saunders*
FORTUNE,
October, 1956, p. 154:7.

Prerequisites for a Successful Automation Program

RECENT STUDIES have suggested that up to 80 per cent—in some cases more—of the total savings attributed to automation have really been brought about through preparatory work in setting up for the automation, rather than in the application of the machines and systems themselves. These savings will accrue whether the new equipment is obtained or not. In fact, when top management expresses a wish to investigate the potentialities of automation, the necessary investigation starts chains of reactions that, when properly handled, can bring about major savings and cost reductions.

It is foolish to embark on a program of automation and find out later that the whole procedure was really unnecessary and could have been eliminated in a work simplification program. We can properly plan for automation by a series of steps. Any management should investigate these steps, regardless of whether or not it is contemplating automation; they are, in effect, a working plan of sound modern control concepts that become a sound foundation for real cost and managerial control. They may be listed as follows:

1. *Information flow analysis.* This means collecting every report, every chart, every activity that is being done. Bring them into a central location—put them on a chart—determine just exactly how much information flows around the particular company. Most managements would be amazed to know how much time their executives and production people spend merely in asking for and disseminating information. Present systems of information flow in many companies do not lend themselves to automation.

2. *Reporting systems and report studies.* One of the advantages of beginning with information flow an-

alysis is that it collects in one place all of the reports, charts, graphs, and cost analyses. Reduction of duplicate reports and elimination of unnecessary reports can be started immediately, rather than waiting for a completely automatic system. Moreover, this avoids the danger of instituting an expensive data-processing system for a report that really wasn't necessary. Tremendous savings are available in this area alone.

3. *Work distribution analysis.* This should extend from top management down to the lowest management levels. By properly distributing the character and number of different kinds of work that a person does, we can institute marked savings immediately.

4. *Forms design and control.* Recently, a large company made a physical collection of every form that was being used in the company. In all, more than 3,000 forms were collected. The number was cut down to less than 1,000 in the space of two years.

5. *Job description, analysis, and simplification.* In many businesses, the whole program of job analysis and evaluation and employee selection and testing needs a complete overhaul. Many savings in labor turnover and reduction of dissatisfaction of employees can result from proper job analysis and job description. In addition, programs of basic motion economy, work simplification, and safety studies lay the proper foundation for further investigation in electronics and automation.

6. *Work measurement.* In terms of manual activities in industrial situations, work measurement has been in effect for many, many years. Clerical work measurement, however, is in its relative infancy. Automation requires that we standardize and measure the time required to perform any task.

7. *Records and filing procedures.* Once we have standardized our reports, our reporting system, our forms, and our job descriptions and analysis, we can then begin a program of filing procedures and recording devices. We can standardize our records so that they will fit in with common-language machines and microfilming procedures as time goes by.

8. *Layout and space utilization.* Where are we going to put the machines? Where are we going to centralize our data processing? How is our information going to flow? All the previous steps funnel into the program of layout and space utilization.

When we have achieved all the potential cost savings before the installation of expensive and intricate machinery, the next step is the selection of a qualified person to coordinate, administer, and lead the program. His position should be in a staff relation to top management, and his responsibility should include guiding those involved in determining what administrative and operating controls are necessary; stimulating and guiding others in development of adequate systems to provide the information necessary for all controls and other purposes; training people in necessary techniques so that they can work together and de-

velop a more effective system of methods; making available information regarding equipment, materials, etc., and new developments; providing specialized techniques or technicians when desirable; and administering the entire activity.

The next step is to have top management appoint a coordinating committee of top operating people representing each operating function, with the leader as chairman. The objective of this committee should be the coordination of all systems, controls, improvements and problem-solving activities in proper relation to each other towards the broad objectives of the company.

In the final analysis, the decision as to how the work will be done—by people, machines operated by people, machines operated by a common medium guided by people, or electronic equipment guided by people—depends on the cost of the end result and the ultimate long-term benefits to the company.

■ *V. Donald Schoeller.* THE JOURNAL OF INDUSTRIAL ENGINEERING, *July-August, 1956, p. 179:6.*

Hard Figures on Russia

HOW IS the Russian economy doing? In Stalin's day it was hard to tell, since the figures given were percentage gains from a base that was seldom given. Recently, however, a comprehensive set of hard figures emerged for the first time, as the Russians published their first volume of production statistics in 17 years. According to *The National Economy of the U.S.S.R.*, between 1940 and 1955:

Steel production rose 142 per cent to 45.3 million tons. (In the same period U. S. steel output rose 67 per cent to 117 million tons.)

Coal output increased 136 per cent to 391 million tons (while U. S. output decreased 3.5 per cent.)

Oil gushed up 128 per cent to 482.0 million barrels. (U. S. comparison: a rise of 82.8 per cent to 2.5 billion barrels.)

Electric power increased 252 per cent to 170.1 billion kilowatt-hours. (U. S. kw-h rose 275 per cent.)

Vehicles, including trucks and autos, increased 206 per cent to 445,300 units. (U. S. rise: 106 per cent to 9,212,572 units.)

Radio and TV sets went up 2,522 per cent to 4,222,000 units. (U. S. comparison: an 88 per cent hike to 22.2 million units.

—*Time* 6/18/56

Instituting the Company Executive Development Program: A Case Study

FACE-TO-FACE relationships will always be the core of executive development. In the complexity of modern business, however, top management tends to facilitate and complement this personal core with a formal program. The Reuben H. Donnelley Corporation has found such a program of great value.

We have three basic executive development jobs to do: To make careful appraisals, to improve post-appraisal counseling, and to get systematic coaching in addition to the annual post-appraisal counseling interview. Success in each is dependent upon line action.

In a large company, there are two effective approaches to the inauguration of a formal management development program. One is to appraise all the management jobs in the organization as an inventory of what you have, and then move on to other elements in the program. Another is to use a smaller unit within the organization as a pilot model to show the rest of the organization the value of this approach.

The latter is a good method where you are free to use it. At Reuben H. Donnelley's, we were influenced to move forward on an organization-wide basis because we had had several years of management appraisal across the country.

One desirable condition for the launching of a successful program is the genuine support, participation, and leadership of the chief executive officer. The second condition is a high-level position for the man in charge of the program. His exact title is not important, but it is best if he reports to the executive officer. Very effective work can be done at a lower level, but if the object is a companywide plan, it is obvious that the person in charge should be near the top.

An insider is usually best, if the company has a mature man available who has risen from the ranks, is well accepted, respected for his judgment, at a fairly high level, intellectually curious, and adaptable to staff work. A man of this type has no problem acquiring knowledge in the skill of executive development as such, and the company "saves" the longer training time necessary with an outsider.

A new person should insist upon a period of observation, say three to six months, in which he does nothing but circulate in the organization, interviewing people at every level of management. These are primarily listening sessions, during which he ascertains *their* interests, feelings, and opinions. It is important to talk with men in both staff and line to get their respective points of view.

The situation should be set up in advance, in order to make full use of the "honeymoon" period. The time it

lasts will vary, but the early months are vitally important to the long-run success of the program. There is, of course, always some undercover or passive resistance in any organization. The best way to meet this is simply to get a real understanding of why a given person objects to any aspect or, indeed, to the whole idea of executive development. Basic here is the executive development officer's ability to take a "neutral" personal attitude toward negative reactions, and, through understanding and help, gain acceptance.

During this initial period, one should avoid reporting negatively on any person. If the executive development officer gets the reputation of being the president's "private eye," his long-range usefulness is seriously compromised. Observations of individuals should be given in terms of general conditions upon which he can comment constructively.

In our appraisals of management personnel, we have at least two persons—the immediate and the next higher superior—make the appraisal. Our annual review is the chairman's personal device to get a once-a-year picture of the organization. We set aside three days in February when each vice president and regional general manager reviews the appraisal of each person—from division manager up—with the chairman, the president, the executive vice president, and the head of the executive development program. Besides a performance review, there is a discussion of potential and future plans for each person.

The involvement of line officers is of crucial importance. Rather than have the chairman simply write up and send out a policy on some feature of the program—such as the selection of people for university courses—we follow a four-step process.

First, the head of the executive development program talks with the management people concerned, getting points of view, suggestions, and other information. Following this discussion, a draft proposal on the subject is prepared and circulated among participants for further suggestions. When these suggestions have been adopted, a final statement is published. Admittedly, this method consumes quite a bit of time, but it has the obvious advantage of involving the line in both the formulation of policy and its execution.

To build a file of information on the experiences of our people in various outside courses and seminars, we put together a series of questions in outline form, which they use as a guide in writing their reports.

Inside the organization, we also publish a series of articles for management. These articles reflect company policies and philosophy, and the experiences of other companies. They go to all management, but there is particular interest in reaching the middle and lower levels. At a number of locations, the articles are discussed at management meetings conducted by line executives, and applications are made to company situations and problems.

■ *Dr. Schuyler D. Hoslett.*
AMERICAN BUSINESS,
September, 1956, p. 9:3.

What Supervisors Mean by "Success"

THE TRADITIONAL CONCEPT of what supervisors want out of their jobs has been shaken by the results of a study just completed by the Research Institute of America. The widely-held notion that many supervisors look forward to a steady climb which may carry them to the top of the executive pyramid has been demolished. It turns out that what most supervisors are concerned about is simply to keep and protect their present positions, with some chance for modest advancement *within* supervisory ranks.

The key findings tell a significant story. Here are the features rated most important by the 724 supervisors who were asked, "Would you indicate what getting ahead means to *you*?"

Money	27 per cent
Job Security	25 per cent
Responsibility	19 per cent
Initiative	16 per cent
Authority	7 per cent
Prestige	5 per cent

It also turns out that the less formal education a man has, the more he worries about protecting his job. Younger supervisors, with less seniority, worry about security even more than older men if they are below par in education.

Some 15 per cent of the supervisors thought their chance of getting ahead (in line with their personal definition of success) was excellent. A whopping 75 per cent rated their chances only fair to good. The longer a man has been a supervisor, the poorer he thinks his own chances for advancement, and many supervisors feel that advancement is much easier for rank-and-file employees than for themselves.

—*Boosting the Efficiency of Supervisors,* (Research Institute of America, 589 Fifth Avenue, New York 17, N. Y.) 5/24/56

How Does Industry Rate in the Community?

MOST INDUSTRIAL FIRMS believe that their local communities have a friendly attitude toward them, judging from the replies of 212 companies recently surveyed by *Mill & Factory* magazine. Only 11 per cent of the companies, however, have conducted attitude surveys to support this belief.

Almost all (95 per cent) of the respondents report that their executives take an active part in community affairs, and without exception the companies polled encourage the hiring of local labor, where qualified.

Among the measures most frequently taken to improve community relations, respondents list plant visits (80 per cent), news releases about company activities (66 per cent), open house events (45 per cent), and control of waste and pollution (39 per cent).

Product Research: Foundation of Future Sales

IT MAY SEEM fairly easy to weigh the confidence which business feels about the future by the amount of money being spent on plant expansion. But the most important part of what business invests in future growth may very often be the funds that are going into product research. This takes a long time to show up in profits, yet it is research which, indirectly, has a powerful influence on retail sales.

Nearly all new merchandise which flows into distribution every year, affecting inventories, prices and markets, can generally be traced back to somebody's confident spending for research, perhaps four or five years ago. The long-term effects of product research can hardly be overestimated. Numerous examples can be cited to show the rapid rate of obsolescence, for instance, in pharmaceuticals, plastic goods, light metals and alloys, food packaging, and other fields where new styles and materials multiply fast. What, then, do recent records indicate?

The "birthrate" of new products is going up at an astonishing rate. Evidence of this is plentiful, but the authorities on this subject are generally in agreement. One recent study concluded that three years from now 11 per cent of all business sales will be made from products not on the market today. The chemical and drug field has provided the most striking results. A leading chemical concern with sales last year of $925 million calculated that one-third of that amount represented products developed since 1940. A pharmaceutical firm which spends $7 million a year on laboratory research reports that two-thirds of its sales in 1955 were in products unknown five years ago. The president of another large chemical and drug producer recently figured that 36 per cent of the medical prescriptions written last year were for drugs unknown 14 years ago.

Second, it is reasonable to expect greater expenditures for product research in the year ahead because it is a cumulative enterprise—even though costs of research go up, industry has found it necessary to give continuous support to it, so that projects started in 1953 or 1954 must be carried on into 1957 along with new projects. One convincing sign of growth comes in a report of the sales of 1,600 manufacturers of scientific apparatus and instruments. Their total last year, $400 million, was up 14 per cent from 1954, and a portion of this can be applied to spending for research as well as for routine laboratory control.

One of the primary incentives to expand research on new materials and finished products has been the urge to diversification—and this, in turn, is a direct outcome of keener competition. A steel company, for example, adds plastic pipe to its line

because it recognizes the fast-growing demand for light, less expensive, easily-handled forms of pipe that are competing with the heavy metal pipe long established in the market.

Not long ago, at the Illinois Institute of Technology's National Industrial Research Conference, the vice president of a large New York bank gave two sound reasons for expecting further heavy outlays for scientific projects in industry: (1) Nearly every industrial company sponsors a *family* of products, and this family can't continue to exist without periodic addition of new members. (2) Research "extends the life cycle of specific products," by deferring the ultimate decline in the profits they earn.

■ THE BIDDLE SURVEY
(Biddle Purchasing Co., New York),
October 9, 1956
p. 3:2.

Winning More Friends for Business: A Job for Management

OPINION SURVEYS provide abundant evidence that widespread misunderstanding of business exists, and that one of the most important groups affected are industrial employees.

This was reflected in the warning signals flashed in varying degree from the platforms of both major parties. There were appeals and promises to almost every group in the United States; business, except for small business, was the conspicuous exception.

Despite such warnings, too many people in business devote too little attention to seeking better understanding. The exceptions to this attitude on the part of business men are fortunately becoming more numerous and more conspicuous. More and more corporate boards of directors are demanding that the people they select for the top positions in industry have a thorough understanding of public reactions and of corporate activity in the field of public relations.

There is no argument against the desirability of progress, but there is widespread lack of understanding of methods that will achieve progress. Yet this is a very simple proposition: Only when we produce more can we have more. And the primary way to produce more is to expand and improve the facilities for production.

This is a problem of understanding which business can and should attack promptly and effectively. It cannot be done by setting aside money and hiring someone to do it. Business must accept this project as a do-it-yourself assignment.

The thing that we call national public opinion—the economic climate of the country—is made up of the attitudes of 168 million people. None of our companies is in contact with

all of them, but each is in intimate contact with some. Some of them are our employees; some of them live in the towns where we operate; some of them are our stockholders; some of them are our customers; and some of them are the people from whom we buy our raw materials.

Each of us has his own precinct, you might say. If we will do a good job, each of us individually, in bringing about understanding among the groups we are in contact with—understanding of the basic principles on which our progress is founded—we will have no need to worry about the national atmosphere.

While none of the company's publics should be neglected, the employees rank first in importance. They are still subjected to a barrage of misinformation and false accusations concerning industry, and they have been for years. They are the most important witnesses, for or against business, in the eyes of the nonbusiness community. What they say is regarded as expert testimony.

Employees must be given clear and factual information to refute outside propaganda. It is true that many employee publications today are so poorly edited that they are a waste of money. But the answer to this is not to abolish the employee publications and save the money, but to see that they are edited in such a way that they do become a real avenue of communication between management and employees.

For example, the industrial worker knows from experience that the immediate result of technological advance is often fewer jobs. To try to deny that would not only be ineffective, but would tend to destroy his confidence in the truthfulness of management. Du Pont's *Better Living* used a more convincing approach. Pictures and text showed that today's production levels would supply only 70 per cent of the needed goods and services in 1976. The article emphasized that, to meet this problem, it would be necessary to lengthen the work week to 57 hours, to recruit more labor from housewives, young people, or old people, or to utilize every technical advance to increase individual productivity. When the problem of technological advance is presented in this fashion, few readers would reach anything but the right conclusion.

Other techniques can and should be used. The in-plant economic education program for employees has often demonstrated its worth. Visits to the plant can be arranged for employee families, school groups, clergymen, and other thought leaders. The visitors must be shown that profits make possible investment in new tools and machinery; that new machines raise output and lower costs; that lower costs leave more money in the consumer's pocket to spend on other things, and thus lead to a higher standard of living for the American people.

Such techniques not only promote better understanding among employees and members of the community but frequently yield additional benefits in better employee relations.

■ *Harold Brayman.*
THE COMMUNICATOR,
September 29, 1956, p. 2:5.

Private Capital Swarms Abroad

U. S. PRIVATE FOREIGN INVESTMENT is emerging as a major force for world economic expansion.

Today, direct investment in the foreign branches and subsidiaries of U. S. companies is nearly three times the 1946 figure. It has jumped by $12 billion to a total of $19.2 billion. In 1955 alone, total investment rose $2.4 billion—of which $2.2 billion was long-term investment. Some $1.6 billion of this was direct investment in U. S. companies' foreign branches and subsidiaries.

Actually, the statistics understate the real importance of our investment abroad. For one thing, hundreds of millions of dollars of investment annually—particularly in petroleum exploration and development—have been financed out of depreciation charges against earlier investments, and don't show up in the figures. Also, the statistics merely show book values, which don't fully reflect the economic importance—much less the market value—of the investments.

This does more than help strengthen foreign economies and boost domestic standards of living abroad. It also makes a healthy contribution to foreign dollar earnings needed to expand trade with the U. S. Out of $11.5 billion of U. S. commercial imports last year, $2.6 billion was produced by U. S.-owned companies abroad.

—*Business Week* 9/1/56

Is Small Business in Trouble?

CONTENTIONS that small business is in economic difficulty, though often heard, are not borne out by statistics of the Federal Trade Commission and the Securities and Exchange Commission appearing in the *Quarterly Financial Report for Manufacturing Corporations.*

In 1955, corporations with assets of less than $250,000 recorded the greatest increase in profit margins of all classes. The 1955 profit margins for this group were 57.1 per cent higher than 1954 levels, as compared with an average increase for manufacturing corporations of all sizes of 20 per cent. Profits per dollar of sales for corporations with assets of $250,000 to $1 million have risen faster than the average for all corporations (though not as fast as those of the smallest group).

And statistics such as these include a built-in bias against the showing of small business. If a firm with assets of roughly $200,000 does so exceptionally well that its assets rise above the $250,000 cut-off point, it will disappear from the less-than-$250,000 category. Its profitable position will thus show up in the next highest group.

Yet, despite this statistical quirk, the cold figures show that generally firms in the lower assets group are doing quite well.

—*Economic Intelligence* (U.S. Chamber of Commerce) 6/56

Industry Tries Selling by Seminar

As HEAVY machinery gets increasingly complex, its makers are finding that new marketing methods are needed to sell their products. One answer to the problem, they've discovered, is to bring the customers to the plant.

In one form or another, this is a time-honored device. It may turn up as a "casual" (yet carefully timed) invitation to "drop in and see us when you are in our neighborhood." It may be an open house to show off a new plant, or a tour designed for supervisory personnel. A refinement that more and more companies are making use of, to gain an important selling pitch, is the regularly staged seminar, lasting one, two, three, or more days, put on for the customers' technical men, the design and product engineers. It's no accident that the aviation industry has gone in heavily for seminars, that International Business Machines has set up a Computer College for potential customers at Elmira, N. Y., or that Taylor Instrument Company holds special demonstrations of its gasoline-refinery automation equipment at its Rochester (N.Y.) headquarters.

Usually the host company picks up the tab for incidental entertaining, and the guests pay for their own transportation. But there are some exceptions, especially when the host company has its own airplane. One Ohio firm finds that hiring a helicopter to fly potential customers from the airport to its plant pays off in good customer relations.

It is hard to say whether this form of selling costs more than the old doorbell-ringing technique. Some concerns believe it is as effective as—and cheaper than—keeping up a field sales force. In some cases they have even cut out the field force altogether.

For the most part, though, selling at seminars is held to a very muted key. Most companies emphasize that the salesmen who follow up the seminars are the men who write the orders.

There are certain pitfalls in the seminar technique. One problem, says Bendix Aviation, is to get together at the right time the correct composite group from all over the country. Occasionally, companies have stubbed their toes by forgetting to include some concern with a stake in their products—and have made enemies instead of making friends. Worse yet, one extrusion supplier ruefully notes, customers sometimes come in, watch an extrusion process, and buy presses of their own so that they can turn out extrusions for themselves.

But the overwhelming vote among manufacturers who put on such shows is favorable. Whether the effort aims at developing new markets—which may entail product development—or immediate sales, they cite these advantages:

There's nothing like a captive market, and a customer under your own roof fits that description precisely.

Customer-supplier understanding improves significantly. Customers, with their new understanding of the processes involved in turning out the products they buy, are less likely to ask the unnecessary—or the impossible—from the equipment they buy.

The feedback of information works both ways. Companies that hold seminars often get tips from their customers.

Seminars open doors for salesmen who have had trouble getting to see potential customers. They establish the personal contact that counts for so much in this kind of custom selling.

■ Business Week, *July 14, 1956, p. 45:3.*

The Growing Shortage in Middle Management

Shop hand to president may be the traditional career story of business folklore, but is becoming increasingly rare in real life. Today the front-line slot is becoming the end of a man's upward progress rather than the beginning. The main reason in many cases, seems to be the widening gap between the qualities companies look for in middle management people and the skills they require for front-line jobs.

One manufacturer puts it this way: "We find a complete change in the requirements for the people in the higher levels of management. Here, of course, they must have a much broader knowledge of the relationships in our organization, in our industry as a whole, and the industries we are serving as well as a thorough knowledge of the company's activities, production methods, etc. In other words, ability to organize and coordinate is probably the first requisite, the ability to get along with others is next, and job knowledge last. On the other hand, our front-line people need primarily job knowledge, personal aggressiveness, familiarity with the group, and a concern for quality."

The problem isn't easy to overcome, and few executives believe they have found any perfect solution. But they are developing an arsenal of weapons to tackle it. To find the right approach for your company, check through the following possibilities:

Do you provide temporary challenges? A plant manager of an instrument manufacturing company states: "We try to spot people with leadership characteristics among our rank and file by putting them into group leadership situations. We make a point of giving them foreman responsibilities during vacations, periods of sickness, and on similar occasions."

Do you make the job transition a

gradual one? An electronics parts manufacturer recommends, "Before moving a person into a management position, give him a series of assignments without title change. On this basis, you can evaluate his ability as a manager."

Is outside training feasible for your rank and file? One large firm tells us: "Starting in 1947, we worked out a program with the University of Pennsylvania and Penn State College. Any employee who thinks he is management material may apply for the development plan. He is screened, and if he meets preliminary requirements, his progress is measured both in these classes and in job situations."

Can you make line supervisors out of staff men? Some staff jobs give employees a chance to show management skills. For example, one company selected a time and methods engineer to fill the slot of general foreman in the tube department because he was a quick thinker, a good speaker, and an effective conference leader. He had shown ability in handling people and getting them to do things for him.

Are union officials a source of talent? More than one company has discovered unsuspected ability in the rank-and-file's representatives on the other side of the table in grievance and contract negotiating sessions. But as might be expected, not all executives view active unionists as management candidates. Some executives, for example, are convinced that years of union membership are the reason why some foremen show reluctance to shoulder greater responsibility. In the opinion of others, the particular plant situation is probably the key to the amount of risk involved in promoting union people. Naturally, any consideration of union people as possible management timber must avoid any appearance of "buying off" or weakening the union.

Thus, careful evaluation of rank-and-file abilities is helping companies pick new foremen with greater possibilities for development. But the payoff here is relatively long-range. The more pressing problem for many executives is upgrading present foremen. To meet this need, companies are offering their foremen increasingly broader opportunities for additional training, ranging from college management courses to in-plant human relations training.

Executives who have offered such training for a number of years warn of several pitfalls: Don't offer training where the opportunity for promotion is slim. And make sure that only people who are genuinely interested get the training. Limit formal training classes to those whose potential warrants it. Obviously not every foreman is capable of development. Objective factors such as age will of course be used to screen out many men, but the final selection usually rests with the personal judgment of executives.

But some jobs inevitably require technical or professional skills that can't be brought in at the rank-and-file level or taught front-line people. At the same time, there are often a variety of headaches in bringing in men with advanced degrees or highly specialized training.

"Don't bring in too many outsiders

at once," warns one manufacturer. "You just upset the organization. The manufacturing section is the toughest place to do it, too. First of all, you can't get a college graduate to start on an operator's job and go through a long process of upgrading. Second, the union and the workers in production won't allow you to push outsiders up the ladder over regulars. The only out we have is to put them in non-production sections, give them some production exposure, then eventually move them into higher positions."

And trainees may take a long time to become worth their pay. Often it is necessary to rotate outsiders through a series of jobs. This procedure is long and costly. It's only worth while if the company has a reasonable assurance that most of the trainees will stick to the course and stay with the company. Turnover rates have not been reassuring in many cases, however. Only careful selection and intelligent planning can overcome this and other problems in recruiting for middle management.

■ STAFF REPORT: PERSONNEL RELATIONS *(Research Institute of America, 589 Fifth Avenue, New York 17, N. Y.), No. 23.*

Why Executives Change Jobs

EXECUTIVES ARE VERY SIMILAR to rank-and-file employees, in that they do not always leave a job for the same reason they give in termination interviews or to fellow executives. It is likely that they aren't sure themselves exactly why they leave their company.

An *American Business* survey shows "greener fields" as the goal sought by many executives who leave their companies (24 per cent), and the very term indicates an uncertainty of reason. However, this reason was often coupled with such statements as "new challenges" and "greater freedom to manage."

Although the company compensation plan is given as a reason for leaving by 17 per cent of the executives, it is coupled with other reasons in a sufficient number of cases so that serious doubt can be cast on any statement blaming executive turnover on inadequate compensation.

Of the companies surveyed, 14 per cent gave "opportunity for advancement" as a reason for executive turnover. Those who leave frequently feel, rightly or wrongly, that they are up a blind alley, and they leave looking for greater opportunities.

Other reasons for leaving listed by respondents include personality difficulties (11 per cent), disagreement with policies (6 per cent), invited to disassociate, (6 per cent), changes in management or control (6 per cent), responsibility without control (5 per cent), and too much pressure (4 per cent).

—American Business 9/56

Employer Medical Programs Today: A Survey

ONE thing that distinguishes the typical present-day employer from his counterpart of a generation or so ago is the manner in which he looks after his employees' health. The greater emphasis now being placed on medical programs stems from a realization that efforts to guard employees' health pay off in reduced absenteeism and insurance premiums.

To gauge current employer practice in this area, the Bureau of National Affairs recently conducted a survey among personnel and labor relations executives representing 151 large and small firms of all types. Here are some of the findings:

Pre-employment physical examinations are given to all categories of employees—plant, office, supervisory, and executive—by the great majority of companies. These are least frequent in the case of executives, who must have physicals in 75 per cent of larger companies (over 1,000 employees) and 68 per cent of smaller ones (1,000 or fewer employees). Periodic physical examinations after the commencement of employment, on the other hand, are the exception rather than the rule for all employee categories except executives.

The frequency of periodic physicals varies widely from company to company, but annual examinations are by far the most common. At some companies, frequency depends on age.

Dispensaries or clinics are maintained by over 90 per cent of larger companies and 70 per cent of smaller firms. While the primary function of these is to provide prompt treatment for work-connected health problems, employees in almost all cases can avail themselves of dispensary facilities for minor non-occupational ailments, too.

Respondents were asked what steps, if any, they take to prevent unnecessary visits to the dispensary and to curb loitering there. About 15 per cent say they have no problems in this area. The others report a variety of control techniques; most commonly cited are requiring authorization by supervision, issuing timed passes from the work station to the clinic and back, and appointment scheduling.

In the typical large company the average employee makes about four to six visits a year; in the typical small company the average is about seven to nine. This suggests that control techniques in large firms may be more effective.

Two-thirds of larger companies and three-fourths of smaller firms have first-aid kits for use in the plant. Over half of larger companies and a third of smaller ones have blood-bank arrangements with the Red Cross, and some of the others keep lists of voluntary blood donors. One-fifth of larger companies and a handful of smaller firms have their own ambulance service.

About seven of every eight larger

companies and seven of every ten smaller firms have at least one physician on the payroll, generally on a part-time basis—e.g., eight hours a week. In the larger companies the physician is commonly salaried; smaller firms generally pay on a fee-per-case basis.

Respondents were asked how much is spent each year for doctors' and nurses' services. The following table summarizes their replies:

NUMBER OF EMPLOYEES	MEDIAN ANNUAL EXPENDITURE	
	For doctors	*For nurses*
100-499	$ 2,500	$ 4,000
500-999	$ 2,400	$ 4,000
1,000-1,999	$ 3,000	$ 6,750
2,000-4,999	$ 5,000	$13,000
5,000 and over	$12,000	$18,750

■ LABOR POLICY & PRACTICE *(Bureau of National Affairs, Inc.), August 30, 1956, p. 8:1.*

Packaging in Top-Level Planning

A NEW AND POWERFUL marketing force is being developed and harnessed, but only a few top executives have come to recognize its significance or its potentials. Packaging—until fairly recently a minor part of the sales picture—has been growing in dimension and importance. Revolutionary changes are taking place under the very eyes of top management, yet business men generally remain only vaguely aware of the opportunities and problems that are being generated.

But over the last decade the tendency has been for packaging to force its way outward and upward in the management hierarchy, especially in large companies. The creation of design has come to involve many elements, many factors, and many individuals both inside and outside the company. It is doubtful whether any corporate operation has more ramifications than the package design program.

As a company comes to accept this concept of an over-all packaging program, the function tends to move from purchasing and production to marketing and top management. The corporate structuring of package-design planning, however, is commonly neither clearly defined nor soundly administered. Much has been written about the need for corporate packaging "committees," which bring together the related departments—purchasing, production, advertising, marketing, sales, research, and public

relations—to work out a cohesive program with the designers. The objective is sound enough, but unfortunately there is a substantial gap between setting up the committees and getting them to function efficiently. Many companies have instituted such groups only to find that the program bogs down at one stage or another.

It has now become apparent that the committee, or any other similar packaging group, can operate efficiently only when carrying out previously defined and clearly understood policies. And it is precisely in this area that the vacuum exists—the vacuum that must be filled by no other than the company's key managers. What are some of these policies management must set?

Where package planning should fit into the over-all planning schedule is one important issue. In most consumer goods companies, package planning should be undertaken simultaneously with advertising, sales and distribution—often with the development of the product itself. Even in industrial goods companies, there is increasing need for package planning to come into the picture early.

One company called in consultants to create a package design for a new product *after* such seemingly more fundamental considerations as the name of the product and the direction of the promotional campaign had been decided.

It turned out that the name selected was not suitable for visual promotion; that an advertising campaign could not be meaningfully developed on the package; and that the existing method of distributing and manufacturing the product did not lend itself to good packaging. As a result, the entire project had to be held up for a full year while these various fences were being mended.

But the responsibility of top management does not end with the formulation of policies—it must assume active direction of the program from start to finish. It is only at the top level that planners have enough authority to cross lines and keep various groups working together. Furthermore, it is generally true that only the top officers are sufficiently informed and articulate to get the designers to understand the company's goals, policies, and plans. Without strong leadership from the upper administrative echelons, serious breakdowns with far-reaching consequences may develop.

In one instance, designs were created for a food product along lines laid down by sales personnel. When the job was completed, the designers were informed that this particular sales approach had never been formally approved by top management. Eventually the entire program — package designs and all — was thrown out, and an entirely new concept had to be worked up from scratch.

Corporations are frequently urged to establish a full-fledged permanent packaging committee headed by a member of top management — or, alternatively, to retain consultant designers on a permanent basis with the designer-representative admitted to top management planning sessions. This may well be the solution for

certain companies, especially those that operate in the consumer field with one line or several lines of products which require constant and continuous packaging studies and changes. It is probably the answer for large-scale food producers or cosmetic manufacturers, for instance.

Such an elaborate arrangement is, however, not required in other industries, and may not be for some time to come.

The exact details for structuring the needed top-level packaging direction must be left to individual corporate managements. What *is* certain is that such direction has to be established and carried through, no matter how extensive or how limited the packaging program may be.

■ *J. Gordon Lippincott and Walter P. Margulies,*
HARVARD BUSINESS REVIEW,
September-October, 1956, p. 46:9.

How Packaging Can Increase Sales

GOOD PACKAGING is an important factor in increasing sales, according to replies to a Don White, Inc., survey of food industry executives reported in *Sales Management* magazine (May 20, 1956).

Most executives (35 per cent) reported that a new package increased their sales by 1 to 10 per cent; 21 per cent said it had resulted in increased sales of 11 to 20 per cent, and 19 per cent reported that sales increased 21 to 30 per cent. The remaining respondents cited increases ranging all the way up to 500 per cent.

The final package, the survey reports, is selected by the sales manager in most companies. Packaging decisions are handled by a packaging committee or by the president in many other firms, and still others report that the final decision on a new package is made by the production department, the purchasing agent, the advertising manager, or, in some cases, even by the legal counsel.

What are the important factors in package selection? Most companies consider display value of prime importance. Brand identification and visibility of product also rank high, followed by appetite appeal, ease of handling and stocking, and advertising value. Only 6 per cent of the respondents mentioned cost as the most important factor in their packaging decisions.

BOUQUETS AND BANQUETS: Management is giving increasing attention to "be-kind-to-salesmen" techniques. One growing trend is to give an annual dinner for vendors in appreciation of what they have done for the company in providing production materials. Suppliers eat up this kind of attention, and go out of their way to meet deliveries and be fair in pricing.

—Employee Relations Bulletin

How Automation Will Affect the Labor Force

AUTOMATION represents a type of technological change. Thus it *could* theoretically cause some unemployment and arouse resistance. Current experience, however, indicates that, at least in this country, it has not—primarily because management has not allowed it to. Case histories show management handling technological change with kid gloves—long advance planning, patient explanations to employees, giving displaced workers a choice of new jobs in the company,* retraining programs, and only a minimum of outright unemployment. And this is good.

On the other hand, while outright unemployment is not common, it is common for management to suspend hiring during the technological readjustment period. This would have widespread repercussions but for other factors: (1) The pace of technological change nationally is not that rapid at this time. (2) It is predicted that by 1975 the labor force will have increased by only about 10 per cent, whereas demand for goods and services will have increased by 200-300 per cent. In addition, the retirement age will probably be lowered from 65 to 60 and, at the other end of the labor force age range, young people will probably be retained in schools for longer periods of time. Thus the long-range demand for employment will probably be high.

If automation will not necessarily cause significant unemployment, what kind of impact will it have?

The skill level of management has been increasing rapidly for some time. "Scientific management" is an established byword—and management is beginning to take on the characteristics of a profession. Labor, on the other hand, has had its skill level endangered by modern assembly line technology. Now automation threatens to go to the other extreme, to put the skill back into labor. Changes in skill level mean that different people will be recruited, trained differently, and rewarded differently. The consequence most to be expected is that labor, like management, will become *professionalized.*

While machine automation is extending the security and status for employees, however, information automation will be doing something equally momentous: i.e., doing away with most of what we now call *supervision.*

The bulk of the supervisory job today is defined in terms of communication responsibilities. Much of these responsibilities will be bypassed technologically when management, thanks to information automation, gets to the point where rapid feedback enables it to play on the productive facilities of a plant as one would on a pipe organ. The chief substitute for supervision will be the professionalization of employees themselves.

The professionalization of labor will cause problems that leave no room for complacency. Larger num-

bers of the less apt, less intelligent will meet with failure and frustration in the area of work. This will represent a new situation in history, for heretofore there has always been some need for unskilled labor.

The problem children of automation, then, will not be those involved in it, but those excluded by it. This may not produce a problem of unemployment in the economic sense, but it may well produce resentment and alienation. We have only to look at the experience of the schools to see a "senseless" (i.e., not for profit) kind of juvenile delinquency among rich and poor alike, resulting from the rejection of an adult world that leaves no room for feelings of self-worth.

The professionalization of management now in progress and the increasing professionalization of labor that automation will bring may have a great effect on labor-management relations. As the supervisory relationship between the two groups becomes less evident, we may find management and labor drawing closer together and composing one exclusive class of scientist-workers. Perhaps, while they feed and clothe society, they will look with benevolent tolerance upon the avocations and make-work projects of those outside the factory.

■ *From an address by Dr. Herbert E. Krugman before an American Psychological Association Symposium, September 3, 1956.*

The Commercial Property Floater: Answer to the Coverage Problem?

JUST WHAT KIND of insurance coverage does a business man need to permit him to sleep at night? Here are some of the characteristics: It must cover all physical hazards, such as fire, water sprinkler leakage, theft, flood, earthquake, and scores of other assorted hazards for all of his equipment, stock, and raw materials. It must apply whether the equipment, stock, and material are at his main base of operations, in transit, at a contractor's establishment, in a warehouse, or any other place. Functionally this could be labelled a "commercial property floater." The premium rate for such a policy would be high—but worth the price, since no insurance policy is worthwhile unless it provides true comprehensive protection.

No such policy is available in all states. No insurance company has yet constructed one and had it accepted by all the rating boards and insurance departments. Yet judicious purchasing of policies with the necessary additions in coverage will enable a company to approximate the policy.

The commercial property floater, ideally constructed, would cover "all-risks" on a "world-wide" basis. It

would cover all property of the insured (excluding only real estate). The only exclusions from the "all-risk" coverage would be moths, vermin, deterioration from natural causes, war-risk, nuclear explosion, and inherent vice.

If the contract were truly a perfect one, it would further provide protection against the dishonesty of any employee of the insured as well as against the risk of conversion (dishonesty of someone to whom goods are entrusted). It should also provide protection for business interruption (use and occupancy).

The entire policy would be issued with a monthly reporting feature wherein all inventory and shipments would be reported. A rating formula would take these into consideration and a monthly premium charge would be based on them.

Earthquake and flood insurance coverages require special treatment. Because of the very nature of these hazards, the need for this type of insurance would be limited to a comparatively small section of the business population. Also the catastrophe potential in earthquake or flood claims is obvious.

It would be feasible for a deductible provision to be inserted in the commercial property floater to be effective for the earthquake and flood coverages. Also, some form of contribution on the part of the insured in the event of a catastrophic loss would certainly be pertinent.

For example, a deductible feature equal to 5 per cent or 10 per cent of the amount of coverage would not be unreasonable. Over and above the deductible feature, the insured could contribute 25 per cent of the loss. While an assured would suffer heavily under such circumstances, at least he would have some material part of a catastrophic loss insured—whereas, under existing conditions, the purchaser's protection is difficult if not impossible.

In the past year or so, three new business policies which contain some of the benefits of the "commercial property floater," have been developed. They are the mercantile block policy, the merchandise floater policy, and manufacturer's output policy.

The mercantile block policy insures against risks of direct physical loss for all the assured's stock, wares, merchandise and furniture, fixtures and equipment, salesman's samples, models, molds, patterns, scientific instruments, property on consignment, property in the hands of others, property in transit and on exhibit.

The advantages of broader coverage, consolidated handling, and elimination of duplication and gaps in coverage make this policy an ideal starting point for commercial property insurance coverage.

The merchandise floater policy covers stock, supplies, furniture and fixtures, and non-manufacturing machinery on premises owned, leased, or operated by the insured. The marine section covers stock and machinery in public warehouses, property on consignment, processed property, and merchandise sold on a deferred payment plan.

The manufacturer's output policy covers personal (as contrasted to real) property, stocks, raw materials, furni-

ture, and vehicles for risks *away from* the manufacturing premises.

The assured files a monthly report on materials and equipment in each location. As each location is utilized, he is automatically insured.

These policies, in spite of some shortcomings, add up to the fact that the business man can, by purchasing the applicable one of the three, supply himself with better coverage than ever before possible.

■ *Michael H. Levy.*
MANAGEMENT METHODS,
September, 1956,
p. 44:5.

New Facts on Illness Absenteeism

FIVE YEARS AGO, the Research Council for Economic Security undertook a nationwide survey on prolonged illness-absenteeism among employed persons. The survey includes 6,200 cases of non-occupational disability only. The results of a sub-sample of this survey, which represents the illness-absence experience of some 80,000 man-years during which approximately 3,000 absences of more than 4 consecutive weeks each were reported, indicate that the average gross medical care cost incurred by the absentees was some $360, but in about one-fourth of the absences medical care cost more than $500. The average net medical care cost—after deducting all benefits from insurance sources—was $157.

All the employing establishments had some kind of medical care plan. As a result, 88 per cent of the absentees received some benefits to help pay these costs.

The benefits received covered almost 77 per cent of the hospital charges and about 57 per cent of the surgeons' fees but met only 10.5 per cent of all the remaining medical care costs. The total benefits received paid for about 54 per cent of the gross medical care costs. Some 31 per cent of the absentees also had other insurance coverage.

To the medical care costs must be added the loss of the wages that might have been earned.

Eighty-six per cent of the employer organizations had either sickness compensation or sick leave plans. Many had both. Though these succeeded in reducing the wage loss that absentees might have incurred the average net wage loss was about $450.

—Gerhard Hirschfeld in *Public Health Reports* (U. S. Department of Health, Education and Welfare) 7/56

LOST PRODUCTION: The total loss from industrial injuries in 1955 is estimated at 193 million man-days—enough to produce over 100 million refrigerators, 200 million men's suits, 1.5 billion pairs of men's shoes, 26,000 jet bombers, 1 million six-room houses, or 2 billion tons of coal.

—*Labor Law Journal* 5/56

Tips on Increasing Your Export Sales

CONSUMER goods manufacturers who have begun to export their product on a modest scale often make a disappointing discovery: Even after a year or two, export sales still haven't reached the expected level—though the lower purchasing power of the foreign market had been taken into account.

If this has happened to your company, it might be a good idea to take a look at your competitors—not only those who manufacture a product similar to your own, but the entirely new set of competitors you have acquired in going overseas. These new competitors may manufacture vacuum cleaners, cutlery, or garden furniture. They may turn out merchandise as different from your own as men's underwear, canned salmon, or automobile accessories.

Suppose your product is electric coffee percolators, which are handled for you in Portugal by your general agent, Senhor Ferreira Melo in Lisbon. What does he handle beside your percolators? Bourbon whiskey from a Kentucky distillery, a German typewriter, and carpenter's tools from Sweden. These are your competitors. You compete with them for the working hours of Sr. Ferreira Melo, his salesmen, and his office staff. His enterprise is a small one. He may even have fewer employees than he has agencies. He can't organize a percolator department with people whose only concern is to sell your product. He and his employees have to decide which of the articles they will work for at any one time. The most attractive one will get the lion's share of working hours; the others will linger in half-neglect.

What, then, makes an article attractive to an importer? It may be factors you can influence only to a very limited extent, or not at all. Import or currency restrictions may, for instance, handicap you. But the paramount factor is one that you can govern at will: *Make it easy* for your agent to work with your products. Primarily, this means: *Keep him posted.* Give him information, and plenty of it. Above all, answer his letters at once, no matter how long he lets you wait for yours, and no matter how trivial, irrelevant, or silly his queries may appear. It can safely be assumed that the supplier who provides the most extensive information about his product, advice on sales policy and techniques, and sales promotion material will be the one who wins the working hours of the agent and his staff.

If you put yourself on the customer's side of the counter—in this case the ocean—you will easily find what your export department should do to get the maximum result out of working hours you have won. Here is a checklist of steps to be taken:

Information on merchandise: Give your general agents anything they could conceivably use, whether they ask for it or not. Draw the limit only where trade secrets call for reticence.

Sales Promotion: How would you organize your sales if you were working *in his country?* How would you train your salesmen and your dealers? How much of that can you get him to accept?

Marketing: What is the market potential? Are consumers sold on the use of your products? Does your general agent base his estimate on actual demand and previous sales only, or does he think in terms of developing the market?

Advertising: What consumer reactions do you aim at? Is your home market material suitable? Should it be translated, touched up, or rewritten entirely? Will your general agent or his advertising agency be able to do that without your guidance?

Shipments: Advise him as soon as possible of any changes of shipment dates. You can safely count on eliminating 50 per cent, perhaps 75 per cent, of the ill effects of shipment delays by telling your agent about them in advance. If possible, give him an explanation that he can pass on to his customers.

Weed out all causes for agent irritation; remove, or help him to overcome, obstacles in his work for you; give him assistance tailored to his needs and his ability. None of this will cost you much, but it will pay handsome dividends in more and better agent's working hours for your products.

■ *H. Bagger,* DUN'S REVIEW AND MODERN INDUSTRY, *September, 1956, p. 49:3.*

Current Approaches to the Retirement Problem

DESPITE the many arguments that have been raised against it, compulsory retirement (usually at age 65) remains the policy of a substantial proportion of industrial firms. A survey by the National Industrial Conference Board, for example, found that compulsory retirement prevailed in 48.3 per cent of a group of 327 firms.

The larger the company, the greater the likelihood of its having such a policy, the survey found. Among the 128 firms employing 1,000 to 5,000 workers, 55 had compulsory retirement; of the 68 firms employing 10,000 or more, compulsory retirement was company policy in 41. Thus, among the 4.1 million workers covered by the NICB study, 2.7 million worked for firms having compulsory retirement.

The two other types of retirement common in industry are discretionary retirement, which allows the worker to continue as long as he is physically able to perform his duties, and automatic retirement, which allows the worker to continue only if his skills are necessary to the firm (otherwise, he's retired at a specified age). The NICB survey found that about 25 per cent of the companies had established discretionary retirement and 15

per cent practiced automatic retirement. Only one firm in 10 varied its policy according to whether an employee was salaried, a wage earner, male or female.

There are two main reasons for the growing importance of the retirement problem: (1) In 1975, there will be more than 20 million persons in the U.S. aged 65 or over. (What's to be their source of income?) (2) Persons in the 20 to 64 age group will drop 5 per cent in the next decade in proportion to the total population. Thus, while the number of consumers will increase by almost 30 million by 1965, the workforce, if limited to the 20 to 64 group, will increase by only 8 million.

Today, there are 2.6 million men in the 65 to 70 age group, and 1.9 million in the 70 to 75 bracket. Not all are able to work, of course, but some experts guess that the labor force could be increased by 2 or 3 per cent by utilizing the talents of these older persons. At the same time, the drain on national and local funds used to support them would be decreased.

Firms with compulsory retirement programs offer three reasons to justify their use: (1) They are much easier to administer than more flexible plans; (2) they give young blood an opportunity to push ahead; and (3) unsatisfactory workers can be removed without charges of discrimination.

Moreover, companies with compulsory programs often supplement them by formal or informal retirement counseling. It has been found that workers are more willing to retire at or near the normal retirement age when they are properly counseled. But how far a company should go when it starts assuming this added responsibility of preparing its workers for retirement remains an unanswered question.

Personal interviews and group discussion are the usual techniques used in pre-retirement programs. The personal interview allows the worker to express his more private problems and gain experienced advice from trained counselors. Group discussion helps the worker realize that he is not alone with his problems.

Pre-retirement programs vary, of course. The Bell & Howell Co. and the Republic Steel Corp., for example, use programs developed by the Industrial Relations Center of the University of Chicago. Other firms have created their own plans.

As to the scope of such plans, the General Electric Co. recommends that retirement counseling should begin when the employee joins the company, and continue informally throughout his employment. Pitney-Bowes has an initial interview with the employee at age 55, with follow-up interviews every two years until he reaches 63, then annually until 65.

Most workers aged 55 to 60 are dimly aware that their retirement income isn't going to match their present salary or wages, but they don't want to face the facts. So they tend to resist all thought of retirement. However, when the financial picture is spelled out in a friendly and confidential way, they are ready to start thinking about retirement in its more pleasant phases (community work,

and time for the family, travel, hobbies, and rest).

Bell & Howell invites its employees near retirement age to attend 11 seminars on retirement. At each meeting, a specific aspect of retirement is considered, and questions are encouraged by trained discussion leaders. "When a session is first announced," says W. L. Johnson, vice president, industrial relations, "we do get some negative reactions from our older employees. Many people refuse to face the fact that they are approaching retirement age, and others just don't want it known to their fellow employees. Once they begin the program, however, the change in attitude is quite gratifying."

And Joseph J. Morrow, personnel relations director of Pitney-Bowes, reports: "We believe our program is stimulating our employees to prepare for their own retirement, which, in the last analysis, is the only effective way."

■ STEEL,
June 4 and 11, 1956.

Union Contracts and the Older Worker

OLDER JOB SEEKERS get little protection, it appears, in collective bargaining pacts. Clauses which encouraged or required hiring of older workers were found in only 76 of 1,687 major wage agreements, covering 7.5 million workers, studied by the U. S. Department of Labor. Only 26 of these agreements had a general statement banning hiring age limits or discrimination because of age. Twenty-three agreements (in building trades) required employment of one older worker for some specified number of journeymen employed.

The situation of the older worker who loses his job is underscored by contrast with the status of the employed older worker with long service, who is assured a greater degree of job protection and more liberal benefits than his juniors. In addition to the usual seniority provisions, 212 contracts specifically mentioned the older worker's job retention rights.

Discharge or layoff based on age alone—without consideration of the worker's efficiency—is generally prohibited by collective bargaining agreements.

Seniority does not always spell job security for older workers, the study reveals. Clauses which modify seniority by introducing factors such as skill, efficiency, or physical fitness are more common among major agreements. Such "qualified" seniority, which tends to come into play in promotions and permanent reductions in force rather than in temporary layoffs, puts the older worker in more direct competition with his juniors in service.

—*Industrial Relations News* (230 West 41 Street, New York 36, N. Y.) 9/8/56

Capital Spending—Up for Keeps

INDUSTRY'S PLANS for capital spending during 1956—in fact, right on through 1959—promise to smash one record after another. In 1956 capital spending by the manufacturing industries will top 1955's all-time high by a whopping 48 per cent.

For the short term, that means a terrific prop under the nation's economy. It's not an artificial prop, loaded with potential inflation, but a solid, investment-based prop financed by private capital. In total, capital spending this year will come to $39 billion—up nearly $8 billion from the 1955 level.

But it's over the longer term that industry's capital-spending plans have an even greater significance for plant operation. To get the full measure of this impact, you have to look not only at how much will be spent, but *how* it will be spent.

The amounts are staggering in themselves. But a key point lies in the fact that 28 per cent of the manufacturing companies reporting in the annual McGraw-Hill survey are planning to invest a "significant share" of their 1956 capital expenditures in plant and equipment for making new products.

Add to this the fact that manufacturers expect to increase spending for research and development from $4.5 billion in 1955 to a full $6 billion by 1959—an increase of 33 per cent in four years and more than 70 per cent in six years (from 1953).

The expected payoff in terms of actual new products shows up in replies to the question: "What percentage of 1959 sales will be new products?"

The answer, for all manufacturing, came to 11 per cent. It ranged from a low of 4 per cent in petroleum refining to a high of 20 per cent in transportation equipment (from which automobiles were excluded because of difficulty in defining a product not being manufactured in 1955).

Anyone who imagines that he can afford simply to knock an occasional nickel off the manufacturing cost of his present products had better take a second look at those figures: A mere four years from now, more than one dollar in every 10 will be spent for products not currently being manufactured.

If that rate holds for 10 years (and it should increase as a result of the rising research expenditures), by 1965 almost 30 per cent of industry's sales will represent products not now in existence.

The competitive challenge for the consumer's dollar will not come from new products alone. Look also for greater capacity and greater productivity all along the line: Manufacturing capacity will rise 27 per cent by 1959.

Manufacturing productivity can't

be predicted in index numbers. But consider that 71 per cent of manufacturers' capital spending will be for equipment against a scant 29 per cent for construction (direct comparison is impossible because of a change in definition, but in 1951 manufacturers were putting 58 per cent of capital expenditures into expansion and only 42 per cent into modernization).

The reason for this shift is not hard to find. The new facilities brought into being through expansion are far more efficient than their "older brothers." Under fire from this type of competition, extensive introduction of new, higher-productivity equipment will be required to match costs with the wholly new plants. The figures on spending for equipment versus spending for construction indicate that a good share of industry understands this fact, and is acting on it.

Another indicator of the stiffened competition ahead is found in the growing trend to longer-term planning of capital expenditures. Back in 1952 only 65 per cent of the companies were able to report preliminary plans for capital spending as much as four years ahead. In this latest survey, a full 88 per cent reported their plans four years ahead—through 1959. If your company is among the 12 per cent not planning well ahead, the implication is clear: The time to start moving is now.

■ FACTORY MANAGEMENT AND MAINTENANCE, *July, 1956, p.* 88:2.

Laying the Groundwork for Office Cost Control

ANY PROGRAM of office cost control must be based on an awareness of the vital area of the supervisor's job. No supervisor should concentrate on doing the functional work of his department. He should have time to study his departmental jobs and find ways to reduce the cost of doing the work. Dr. Jucius of Ohio State University has said that the office is 25 years behind the factory in the application of most management methods. The foremen in our factories are managing foremen, not working foremen. What would our mass-production methods be today if they had been installed and administered under no more managerial control than could have been giving by a working foreman?

The second area involves habit patterns. We do not have to think very hard to go through most of the motions we go through every day. The engineer calls this learned action, and it is necessary that we have this ability. We soon would go berserk if we had to think out every act methodically. However, this creates a problem which E. H. Van Delden has described as "the inevitability of gradualness." People resent being

rushed. Most of us welcome change when we see in it some *personal* benefit, but we want to decide for ourselves whether or not a thing benefits us personally.

Here we have a clue for the approach to the change of habit patterns. If we, and every employee, *want* to change—we will. People will follow a habit pattern that they themselves work out, but no one wants to be reformed by anyone else. Your approach should cause your employees to decide for themselves that a change is necessary and proper. Our problems of reducing paperwork will be more easily solved if, through our managing managers, we can cause employees to seek and use a better way of doing their jobs.

The third area is servile attitudes. What are you doing in your office today that lets each and every employee know in no uncertain terms that he is part of the team with a responsibility not only to do the job for which he was hired, but to do it effectively? Everyone wants to feel important and to be fully informed. If management neglects the task of developing a means to accomplish this, we cannot hope to have anything better than a servile attitude among our employees.

The work simplification approach has one key word: *question*. We say question every detail: Ask why it was done in the first place, why it is done now, why it is done in that way, etc. How can we hope to examine the details of a job if the employee is not encouraged to have a questioning attitude? A program of reducing office costs cannot be successful if we are content to live with an attitude that says the way we are doing things is the proper way because that is the way someone wants it done, and that is the way it has always been done.

The fourth and last area is our methods of administration. It is sometimes necessary to spend money to save money, even in a cost-reduction program. It is not uncommon for the factory to hire an industrial engineer or a methods and system man, but how many offices have a skilled man in charge of their methods and systems? What have we done in the field of multiple management? Following the simple principle that two heads are better than one, why don't we organize our supervision into a group that can discuss our problems, acquaint one another with all phases of the problems, and create sub-committees to deal specifically with the problems of the office? In such a group, the groundwork can be laid for bringing to the rank-and-file employee the spirit and the technical information which will be the best-organized attack on the problem of habit patterns and servile attitudes.

One thing we can do won't cost us anything except time. We can organize a work-simplification program for our supervision. Each and every supervisor can be taught the six steps in work simplification in a period of six weeks by covering one step each week.

1. Teach them how to select a job for simplification, pointing out that experience has taught us to look for the bottleneck, the job that takes a lot of time, the job that takes a lot of running around.

2. Teach them how to break down the job, getting every detail down on paper so that we can actually see what is being done.

3. Question every detail of the job. Find out the reason for each of the steps in the job breakdown.

4. Develop the improved method. This begins while we are still in the questioning stage. Many an improved method comes simply from organizing the notes that are made during the questioning.

5. Install the improved method. When we install anything in our offices today, we find that our problems fall into two classifications: technical difficulties and human difficulties. The work-simplification approach helps us to overcome both of these. The questioning step highlights the technical aspects, in most cases causes us to seek the solution in advance, and helps us to foresee pitfalls along the technical way. The multiple or team attack on the problem will automatically lay the foundation for overcoming the human difficulties.

6. Follow up. In many respects this is a most important step, because the solution, no matter how good it was when installed, will certainly not solve your problem and help you reduce costs unless it is continuously applied to the work at hand.

▪ *Fred E. Shelton, Jr.*
THE OFFICE, *June, 1956,*
p. 65:6.

"And should you decide to run your company MY way, let me know."

—Reprinted by permission of Vanguard Press, Inc., from *Louder and Funnier*, by Burr Shafer. Copyright 1951 by Burr Shafer.

Automation Hits the Packaging Front

TODAY there is probably no single packaging machine that will feed, regulate, and run itself, without human attendance. But there are today combinations of machines that together do practically that, and rapid progress is being made *toward* automation in every type of packaging machinery and in every product field.

On the basis of a survey just completed by *Modern Packaging,* the general movement toward labor-saving automation in the packaging field can be broken down into the following distinct trends: (1) Toward higher speed. (2) Toward greater accuracy of fill. (3) Toward smoother, continuous motions. (4) Toward lines fully coordinated to perform a complete packaging operation—from the end of processing right through to the shipping dock—without a break.

Foods, generally, have achieved the highest speeds, but other industries, too, are stepping up. A new line for Bristol-Myers' Bufferin, for example, will operate at 300 vials per minute, including automatic insertion of cotton and application of a polyethylene snap-cap.

Essential to speed is accuracy of materials. The survey makes it clear that packagers are asking for lower tolerances on materials and backing up their specifications with tighter incoming-materials inspection and control. There is much interest in standardization movements, such as the recent suggestion by a carton company that the industry get together to standardize the design of tucks and flaps in folding cartons.

Along with higher speeds, packagers are demanding even greater precision in fill and weight, but the marvels of electronics have come to the rescue and the two goals are being achieved simultaneously. One of the can companies has a fill-control device, first adopted by Atlantic Refining Co. on a motor-oil line, that actually compensates for changes in product temperature that affect the volume of oil being delivered. A mechanism using a similar principle, capable of physically weighing every can in the line if necessary and feeding back the information to the filler, has also appeared on the scene.

Probably the single most important contribution toward constant-output, non-stop lines is the provision of accumulating tables, or bellows, between stages of the line. The accumulation of a reserve of output not only takes care of any differences in operating speeds or capacities of the various machines, but provides a backlog; then, if there is a momentary shutdown of any one machine, the rest of the line can continue to function.

Other significant findings of the survey:

Elimination of hand operations finds its most fruitful field now at the two extreme ends of the line. Middle-of-the-line operations such as

filling, capping and labeling are generally automatic; hand labor still is used in most plants to start empty containers into the line and to case and remove filled containers. That these beginning and ending steps can be mechanized is demonstrated in the beer industry, where in some operations the package isn't touched by human hands from the time the case of empties leaves the freight car until the filled and sealed case returns to it.

Hand feeding is being eliminated even on some small, semi-automatic machines. The maker of a small, sheet-film wrapping machine that has always been semi-automatic expects shortly to eliminate the operator, as the feeding of both the package and the cut wrap will be automatic. A small bag-filling machine now automatically feeds bags from a magazine and opens them to the filler. Automatic marking and code-dating machines have eliminated workers from many lines.

Handling of problem films is being solved by manufacturers of wrapping machines. Equipment is available to handle and heat-seal any known plastic film.

New adhesive systems are rapidly eliminating the headaches formerly associated with the glue pot. The newer labeling machines use a circulating glue system. Also new is a dry, rope-type thermoplastic adhesive that eliminates the glue pot entirely.

Unit and strip packaging is making rapid strides, with a dozen types of machines available, ranging from table models to big, high-production units.

In-plant package manufacture is gaining in some quarters as a part of the new concept of the fully integrated production line and as a means of avoiding incoming shipment, handling, and storage problems.

Multiple-unit packaging of canned and bottled products in bands or cartons is expanding rapidly with the development of several automatic machines to handle the various types of constructions. Additional developments are on the way.

Finally, the packaging process is taking place closer to the source of the product. Fishing vessels become packaging plants or canneries, and produce packaging is moving into the grower's shed, sometimes right into the field.

■ MODERN PACKAGING, *August, 1956, p. 111:8.*

HOW GULLIBLE are consumers about advertised price cuts? Duquesne University and the Better Business Bureau of Pittsburgh conducted a survey to find out. Here are the results: "Reductions in price" greater than one-third are disbelieved by 80 per cent of the public, and 95 per cent of those questioned distrusted alleged savings of 50 per cent or more. On the other hand, four out of five consumers have confidence in an offer that claims a price cut of 20 per cent.

—*Sales Management* 5/20/56

Are Business Gifts Doing Their Job?

AMERICAN CORPORATIONS spend $2 billion a year on business gifts, but most of them are losing the full effectiveness of this investment through unimaginative selections that have no relation to the interests of the recipient. At a time when more companies are sending out greater numbers of more expensive gifts, it's just a matter of good business and astute public and customer relations to make sure that every dollar spent for a business gift will build a maximum of good will. Here are a few ways to insure a bigger payoff from your gift-giving:

Make every effort to select gifts that have a distinct appeal for the recipient.

Shop distributor catalogs carefully. One distributor complains that his catalog offers more than 8,000 items, yet only a handful ever get a play from the gift buyer.

Build your shopping list all year. This can be done simply by a little reminder system of making notes about the interests, hobbies, and character of the people you see throughout the year. Develop continuity in your gift-giving. If your prospect is a fisherman and you give him a tackle box one year, follow up with different fishing accessories next year.

Use your imagination. An inexpensive gift tastefully selected and graciously given is much more desirable than a costly item dispensed with an obvious air of fulfilling a duty.

—*Printers' Ink* 9/28/56

Bobbysox, Blue Jeans, and Bankrolls

IN THIS AGE OF ANXIETY over juvenile delinquency it is reassuring to discover that the financial conduct of the average American teen-ager would seem to be a lot more prudent than that of the average adult. According to a survey conducted by Scholastic Magazines, Inc., America's 13 million high school students (ages twelve to eighteen) have a total income of more than $7 billion a year, and the weekly income of the average high school teen-ager last year was $10.55. Out of this amount he spent $6.52, saved $4.03—or 38 per cent. The national ratio of personal savings to total disposable income, by contrast, was only 6.1 per cent in 1951. (The boys, incidentally, saved almost twice as much money as the girls.)

The principal source of income of U. S. teen-agers is still the parental allowance. Forty-five per cent of the high school students drew all of their income from Pop, a commendable 30 per cent relied solely on part-time jobs, and 22 per cent derived their income from both sources. For all their frugality, these teen-agers are spending close to $85 million a week. This is an important contribution to the U. S. standard of living. Obviously, Pop owes it not merely to Junior, but to the national economy, to keep up the good work.

—*Fortune* 9/56

Management and Industrial Design: Today's Challenge

One of the axioms of American business today is that "you can't argue with success." It is quite apparent from the design point of view that the prevalence of this feeling has created something of a dilemma for American management. The smaller manufacturer tends to take its lead on product design from the larger ones. The larger firms adopt successful design features from each other, often forgetting that the success of the leader in the field comes from his willingness to be daring, different, and fresh.

The result is the paradox of a vital, highly competitive American market in which, in many instances, one company's wares are nearly indistinguishable from another's.

Management makes long-range plans in many areas of corporate activity, but seldom for design. Too many products are styled under pressure to meet an immediate market, with no thought given to long-range continuity.

The yearly model is a trap that is so easy to fall into. In practice, most creative designers and engineers would agree that it is simply not possible to find a "new and revolutionary" design every year or so. Even if it were, the tooling and parts inventory problem would be staggering.

In many product lines, the result is a "new look by gimmick." The unfortunate thing about "gimmick styling" is that the manufacturer loses brand identity (which dilutes the effectiveness of his advertising budget) and the consumer gets a poor design of which he will tire in a short time.

Finally, management has, broadly speaking, not yet learned how to manage creative people in design. Very few designers are given enough executive rank to implement design policy or to assure effective design results. Yet the very changes in our economy and market are demanding that designers must take an increasingly important place in today's management.

How can management plan for good design? This is a question which obviously cannot be answered in detail—every corporation, like every human being, is a unique entity. But I believe there are some over-all principles around which management can make its own individual plans.

Possibly the most important principle is a creative climate. Second, the designer must have a goal and clearly defined responsibility. This is not a question of design, but rather an element of good management. Too often, design objectives are not sufficiently thought through and specified in writing. Design responsibility is too often in the hands of people who are not designers.

The first step in the effective man-

agement of design is for management to define the short- and long-range objectives of the corporation. To answer questions of design objectives fully, to put them in the form of company policy, requires that someone who is sensitive to design trends be at top levels of management.

The question of where design should be in the corporate structure is not as important, it seems to me, as finding talented design leadership at the management level. A talented design executive will know how to build an effective design group, how to direct its activities, how to work with consultant industrial designers, and also, because he is at the management level, he will be able to coordinate design effectively with other areas such as engineering, sales, market research, and advertising.

Despite the intangible nature of design, it must also be practical. It must be produced, usually within a budget forecast and within a time schedule. Yet, despite the pressures of production plans and deadlines, you can't turn on creativity like a faucet, metering it out to a schedule. Creative ideas are hard to meter, hard to regiment. If you have built a good design team—and this takes years—and have given it well-thought-out targets and clear responsibility, you will get optimum results. Good management presumes you are not always at "general quarters" fighting deadlines. Pressure usually produces "gimmick styling." Longer range thinking produces design so good that it has staying qualities.

Large corporations are a team operation, and designers must develop the skills to work within this format. However, top management must recognize that every new design becomes a matter of communication between many people, and over-all programming at the high management levels is necessary to insure that the final design is not compromised to mediocrity or driven out into "left field" by some dominating personality.

In short, the design function cuts across many lines of authority in the average corporation.

Management and designers, if they can find a way through the tangle of problems, can arrive at design ideas that will be far more satisfying through careful organization and greater understanding. The factors that tend to rob design ideas of freshness and clarity can be kept to a minimum. With a new conception of the place of design in marketing, management can enter a new design era.

■ *From an address by Gordon Lippincott at the Sixth International Design Conference, Aspen, Colorado.*

ALL companies face problems. Successful companies deal with foreseen problems, and unsuccessful companies struggle with unforeseen problems. The difference lies in planning.

—*Cost and Profit Outlook* (Alderson & Sessions, Inc., Philadelphia)

Boosting Sales Through Employee Cooperation

THE NUMBER OF COMPANIES attempting to get non-selling employees actively into some form of sales promotion has increased significantly in the past three years, according to a recent Dartnell Corporation survey.

Approximately three years ago, a similar survey revealed that fewer than ten respondents were trying to improve employee sales-consciousness. This year, more than 50 companies are engaged in some form of activity to get employees to boost sales, and 36 of them report they have established definite programs to get employees interested in customer relations and to keep such interest alive and active.

A number of companies encourage factory and office employees to submit leads. Where it is possible to connect a selling result with the lead, some companies have established cash or merchandise awards for closed sales.

Campaigns are frequently aimed at increasing awareness of the fact that what employees do and say has its effect on sales, and that sales are where the money to meet the payroll comes from.

Most respondents indicated that the group meeting was the most frequently used channel of communication for developing all phases of sales consciousness. Such meetings deliver best results when they are part of a consistent campaign, rather than an occasional "shot in the arm." Also vital are top management participation and backing, supervisory consultation and cooperation, and some channel for employees to voice their ideas.

A high percentage of respondents noted the use of product films as an effective means of showing employees their importance in the over-all selling picture. Films can act as a substitute for the vital experience of seeing the results of your work in actual use. They can help build pride in craftsmanship by showing important customers using your item or by associating it with the prestige and accomplishments of other people, companies, or places of interest.

Displays of finished products, photographs of products in use (via bulletin board and house organ), reprints of advertisements, booklets, and trade-show exhibits are other means used by respondents to develop sales-building product pride in office, plant, service, and other employees.

"BILLION-DOLLAR CLUB": Membership in the select group of listed domestic companies having annual sales or revenues of $1 billion or more reached a new high of 31 companies in 1955, according to the New York Stock Exchange. This figure compared with 26 in 1954, 29 in 1953, and 27 in 1952. Six companies gained admission in 1955, and one dropped out. Of the 31 companies, 26 registered gains in both sales and profits in 1955. Only one of the other five companies reported a decline in both.

—*The Exchange* 5/56

New Partnership: Business and Education

BUSINESS GIVING to education is running about $100 million a year—almost $200 a minute. This rough estimate by the Council for Financial Aid to Education, Inc., covers the year 1955. It compares with approximately $80 million three years earlier.

Business has devised many ways of giving. The educational foundations, like those of Ford and U. S. Steel, are the most publicized. Others give directly from company funds. Several match alumni gifts from employees. Still others contribute to the schools that provide them with the most graduates. Bethlehem Steel, whose total contributions will approach $1 million this year, pays $3,000 to any privately endowed college for each of the school's graduates selected by the company for its college graduate training course.

One type of college program in particular permits business firms to make a significant contribution at bottom cost. This is the cooperative college plan, whereby students alternate one term at college with one term of work in a job related to their major. Over 600 companies work with the co-op colleges; more than 75 take part in the program of the University of Cincinnati alone. Working with this one school are such top firms as Cincinnati Milling Machine, Armco Steel, Allis-Chalmers, Chrysler, and International Nickel. The companies report that the majority of students stay with their co-op firm, although there is no requirement to do so.

Republic Steel Corp., has another approach: Charles M. White, Republic chairman, reports that his company, in cooperation with Case Institute, participates in an "economics in action" program each summer. About 50 economics professors receive practical six-week courses in the economics of business and industry. And the company participates in the cooperative college programs.

Republic also works with colleges on special projects. For three years, the firm teamed up with University of Chicago to conduct a basic economics program for 6,000 supervisors. The company-university team is now working on human relations courses for supervisors.

Industry can be a big help to education just by allowing faculty members to observe the way a company is run. The Foundation for Economic Education has for some time been administering a program whereby college professors are installed as summer observers in industrial plants. The companies involved pay only living and transportation expenses. Originally started with engineering and business administration faculties, the project now includes liberal arts teachers. Many of the professors have developed study programs on their own, have repaid their industry hosts

with valuable management ammunition.

With the current emphasis so heavily on business giving to colleges, it is easy to forget that the business-college relationship is a two-way street. Business takes from as well as gives to colleges.

A current project is a case in point. Faced with a continuing decline in member earnings, the American Steel Warehouse Association, Cleveland, took a leaf from other distribution industries and looked into cost accounting. Korhumel Steel Corp., Milwaukee, headed by William Lewis, agreed to be the project's guinea pig.

Professor Thomas McCann at Marquette University, in the same city, was conducting classes in the subject, and Mr. Lewis sent a man to attend them. Results were so good that he, Professor McCann, and Robert G. Welch, Warehouse Association executive secretary, joined forces with other associations to form a cost study committee and worked out a manual for cost analysis for metal distributors.

■ THE IRON AGE,
September 6, 1956,
p. 51:3.

Financing Future Business Expansion

WE ARE GETTING used to record business years. They come along one after the other, and an occasional mild recession—like those of 1949 and 1954—does not change the fact that, in our time, the habitual course of business is up. Inevitably, capital needs are moving steadily in the same direction.

One way of estimating plant and equipment requirements for 1960 is to relate these needs to the expected level of gross national product. Such expenditures were 6 per cent of gross national product in 1955, and it appears reasonable to assume that they will reach 7 per cent in 1960, since our need for capital is rising in relation to output. On the basis of a gross national product of $460 billion, this procedure yields an estimate of $32.5 billion. Alternatively, we can project the trend of capital requirements for separate industries. This method also yields a total of about $32.5 billion.

Still another way is to figure the over-all need for new capacity, or, in dollar terms, the addition to our stock of capital. The way trends are going, industry will be spending at least $17 billion on new net capacity by 1960. But net new capacity is only part of the story. Industry must also replace and modernize its existing facilities. This, according to a Machinery and Allied Products Institute estimate, will require $15 billion per year by 1960—so that total capital expenditures may reasonably be expected to reach the $32.5 billion figure.

If we assume that working-capital requirements rise at about the same rate as expenditures for new plant and equipment, total requirements for new funds will be $48 billion, as compared to $36 billion in 1955.

To raise $48 billion for expansion in 1960, industry will apparently need to get about $16 billion in outside funds—of which perhaps $2 billion will represent short-term credits extended by some firms to others. The remaining $14 billion appears to be well within the capacity of our money markets.

Apparently, therefore, the continuing uptrend in requirements for new plant, equipment, and working capital does not pose a serious problem for the financing markets. However, it is well to keep in mind that technical advances are coming with greater speed than is generally realized. If we begin controlling all machines by electronic "brains," if we get machines to do assembly operations, all the calculations about capital requirements may be too low.

There is, furthermore, another development we never seem to anticipate in any adequate degree: general price inflation. The price of capital goods has risen 8 to 10 per cent in the last year, and 15 per cent or more in the last two years. Whenever a really big expansion of our economy gets under way, inflation seems to come with it. The cash flow from earnings begins to get tied up in inventories and other working-capital needs. As a result, we need new security issues to finance new plant and equipment and rising bank loans to provide extra working capital. That is where we stand today—despite record profits and depreciation allowances. And the chances are excellent that five years from today our problem will be no easier.

How, then, can we assure sufficient funds for business expansion, recognizing that we live in an era of unpredictable technical changes and periodic price inflation? There are certain things that corporations can do for themselves. They can make sure they have enough equity capital; and now is an excellent time to raise such capital by new stock issues. This will conserve their borrowing power and enable them to expand long-term debt safely in times of unusually heavy capital needs. Corporations can also protect themselves in future years by arranging stand-by bank credits, a device that has permitted low-cost financing for some very large projects this year, despite a generally tight money market.

Corporations can also help themselves by making sure that their depreciation policies are realistic, in that they make adequate allowance for the true rate of obsolescence under today's technology and not just the historical rate.

One important problem area in business financing is the unsolved need for venture capital for small business.

Small business today is not just cloaks and suits. It is the specialty producer in fields like metal working and electronics and chemicals. It needs capital badly, and we should do something to aid small business in this matter of raising funds for new plant and equipment. It is up

to the financial sector to equal the ingenuity of the engineers and scientists who are creating the basic expansionary forces in the economy. If this is done, the expansion we shall witness in the next five years will be greater than anything we have seen.

■ *Robert P. Ulin.*
JOURNAL OF BUSINESS,
July, 1956, p. 185:6.

Target for Marketers: A Million New Households a Year

IF YOUR COMPANY gauges its sales, production, or expansion plans on the household unit as a measurer of consumer demand, then during the next 20 years you can look for an average annual increase in households varying between 700,000 and 1 million units.

The number of households in the U. S. as of April, 1955, was 47.8 million. By 1975, the figure will have grown to between 61.6 million and 67.4 million, according to the Bureau of the Census.

These figures are the results of a series of four projections based on extension of changes in marital status, household status, and in growth of population during the postwar period. The Census Bureau cautions that its figures are not to be taken as forecasts or predictions. The projections do not make allowance for changes resulting from a war or other catastrophe.

Certain factors that may affect the number of households formed include changing standards of living, changes in the amount of available housing, and changing costs of housing construction.

Other factors, which may create demand for additional housing without implying any change in the number of households, include changes in the types of living quarters in demand locally because of a change in average size of the family, the desire to hold more than one home for use of the family, and population shifts.

The growth in the number of households is not likely to be uniform during the 20-year period. Between 1950 and 1960, the rate of increase appears likely to range between 1.07 and 1.57 per cent. Between 1970 and 1975, it may range between 1.52 and 1.88 per cent. This can be contrasted with an annual increase of 2.44 per cent between 1900 and 1910. From 1950 to 1955, the rate was 1.84 per cent.

—*Iron Age* 9/13/56

PATERNITY BENEFITS: Employees at Sam Goody's, New York record dealer, are quick to tell their supervisor when they're expecting an addition to the family: It means ten cents an hour raise. When the youngster is born, the firm gives another nickel an hour.

—*Mill & Factory* 7/56

A Success Formula for Smaller Firms

Companies of moderate size have little to fear from bigger competitors if they observe these five cardinal principles, set down by successful companies in a wide range of industries:

1. Deal in specialized products or services.
2. Finance constant research for new ideas.
3. Pinpoint selling expenditures where they are most effective.
4. Build dealer and consumer confidence in your products.
5. Give customers personal services that big firms cannot equal.

Specialized Products. Endo Laboratories (Richmond Hill, N. Y.), which ranks about midway between the largest and smallest firms in the pharmaceutical industry, has prospered for 35 years. Joseph Ushkow, Endo's president, says:

"A moderate-sized firm cannot afford to be a 'me-too' firm. It cannot copy something which big companies are already producing. It must seek out new needs, and it must fill those needs with products of its own."

Tom Fitch, president of Washington Steel (Washington, Penna.), also emphasizes the need for specialization. His company, which began operations in 1947, carved its special niche in the steel industry by rolling stainless steel into sheets and strips—used for jet engines, automobile trimmings, kitchen utensils, refrigerators, hospital and dairy equipment. Although its competitors include U. S. Steel, Armco, Republic, and Crucible, Washington Steel makes and sells as much as 25 per cent of all the stainless steel sheet made under .040" thick. The original stockholders have already received dividends equal to their full investment, and the stock they hold is worth five times what it was when they bought it. The company, which still has fewer than 250 employees, has annual net profits of about $2 million.

Research. Successful moderate-sized businesses agree that research spending must have a place in the budget, no matter what the industry.

"Obviously it takes patience to support research," says Mr. Ushkow, "but every moderate-sized industry must have patience and guts—the fortitude to see 200 projects go down the drain in order that one may finally succeed.

"Even that product won't remain your exclusive property very long. As soon as it begins to make money it will have competition. Then you must be ready with another new idea."

Endo Laboratories plows more than 10 per cent back into research. Much of this is done in its own laboratories, but each year it makes an average of 25 grants to hospitals and universities.

Pinpoint Selling. With less money to spend on advertising, the small firm must pick its targets and hit them.

Because furniture is sold largely

through eye-appeal, Southern Furniture hired expert decorators to create beautiful rooms to display its furniture. It bought the right kind of accessories—lamps, carpets, pictures—and had specialists memorize the layout. The company then sent these men out to recreate the displays in retail stores. Thus, wherever Southern Furniture was sold, it was shown to the best possible advantage.

Build Confidence. Omega Watch finds that being comparatively small enables it to protect dealers against price-cutting. "When everybody handles your product, this is difficult to do, but when you have a selective list of representatives any one of whose franchises can be discontinued if agreements are broken, then you can control prices."

At the start of the Korean war, when most steel companies dropped or severely reduced shipments abroad, Washington Steel continued its overseas shipments. "We gave them service when they needed it most," says Tom Fitch, president of the company. When the steel business dropped off generally after Korea, Washington Steel had established a reputation for dependability on foreign shipments. Today, foreign countries take 11 per cent of its output.

Personal Service. Large companies are geared primarily for mass production. This, in the opinion of alert, moderate-sized firms, leaves plenty of opportunities for those who are small enough to be fast and flexible.

In frozen foods, John H. Dulaney & Sons (Fruitland, Md.) deliberately limits sales to a geographic area it can serve quickly and efficiently.

The same principles of personal service hold true in the book publishing business. Richards Rosen Associates, Inc., guarantees 24-hour delivery on all book orders.

"Of course," says Joseph Ushkow of Endo, "the paradox of it all is this: If a moderate size firm succeeds, then in time—as its sales grow—it wakes up to find it has itself become one of the giants."

■ *Oscar Schisgall and John Pfeiffer.*
NATION'S BUSINESS,
August, 1956, p. 70:4.

Decisions by Computer: A Look Ahead

EVER since the turn of the century, industry has increasingly had to grapple with the problem of bigness. Greater size has been accompanied by far greater complexity. As a result, decentralization has become the watchword of many well-managed companies today. It isn't that top management necessarily chose this form of organization; there was simply no other solution, once the company reached a certain size and complexity and communications began to bog down.

The electronic computer, together with the statistical tools of high-level mathematics, offers the managements of large corporations a way of retaining the reins of power. Glimmerings of what lies ahead were recently

revealed when Sylvania Electric Products, Inc., unveiled its Data Processing Center, built around a Remington Rand Univac. Eventually, all the accounting and statistical work of the far-flung company will be carried on in the Center. Data will pour into it from plants, warehouses, and sales offices for interpretation.

Managements, of course, insist that such a system will not destroy "decentralization." But to understand what the full impact of this computer revolution may be on business, we must decide exactly what is meant by "decision-making."

Basically, there are two types of decisions: policy-making and operating. Complexities of business have dovetailed the two so that top management—where policy logically is made—has had to turn over much of its policy making to lower levels of management. Even the most fundamental top-level decisions—the allocation of money and resources—have become, to a large extent, the job of the operating people.

All this may be changing. It was only partly a joke when the president of one company suggested: "The next board chairman will be a Univac." That is because the computer may well play its most important role in the vital area of resource allocation.

It is popular to state that computers will not make decisions. But this is true only for decisions that involve the kind of policies that are already highly centralized, and can never be otherwise. For instance, a computer will be able to tell management how to maximize profits over the short-run or the long-run, but management at the top must decide which way it wants it. Further down the line, though, decision-making can easily be taken over by the computer.

Centralization of decisions, therefore, once again becomes possible. It isn't likely that top management will forego the chance to centralize merely to satisfy an outmoded philosophy of decentralization that no longer meets the needs of the company.

Take the case of a fairly simple company like Rayco Manufacturing Co., Inc. With the use of a large-scale computer it has been able to devise means of selecting the best places for new store sites. It also determines, through constant checks and data calculations, inventory policy for each of its independently owned retail outlets. All the retail managers have to do is follow the centrally calculated schemes.

On a larger scale, a big oil company sees the use of computers breaking down the traditional functional bailiwicks of its production, transportation, refining and sales departments. A computer has already simulated a refining operation to determine the optimum product-mix out of any given kind of crude oil. From that point you work back to production and project your transportation requirements. It is only another step for the computer to determine refinery location and sales policy in terms of wholesale and retail locations.

Decentralized authority as we know it today has done more than just solve an intricate communications problem. It has, in its best prac-

tice and form, provided a vital sense of participation for many more people in a company than was possible under any centralized form of management. What happens when these decisions are no longer made at the lower levels?

It will be necessary for management to find a new way to give a sense of participation to its employees.

As the uses and abilities of computers grow, more and more of the important decisions will become, in a sense, automatic. Here you have the full impact of what may lie ahead for the business leader in the next twenty years.

It will be his job to maintain his authority, not through the exercise of absolute power but through persuasion. He will have to understand leadership in terms of people, not organizations. His job may well become one of personal inspiration on a scale, and in a way, that hasn't been necessarily a prime requisite of modern management up to now.

▪ *Richard L. Waddell.*
CHALLENGE,
August-September, 1956, p. 11:5.

Vending Machines in the Office—A Survey

THE PRACTICE of granting employees "time out" for a coffee break and a stretch is still growing, according to an *American Business* survey of 50 companies that have installed vending machines in their offices. Thirty-six of the companies give employees two coffee breaks of 10 or 15 minutes each.

Of the 50 companies, eight installed vending machines in the hope of reducing time lost by employees leaving their area of employment during coffee breaks. All the others, excepting one, installed them for the convenience of employees and in the belief that employees worked better when they had a morning and afternoon break.

Tabulated, the vending machines now used in the offices of the 50 companies are as follows:

Machines for dispensing soft drinks	60
Machines for dispensing candy, nuts, etc.	56
Machines for dispensing cigarettes	48
Machines for dispensing coffee	42
Machines for dispensing milk	12
Machines for dispensing ice cream	7
Machines for dispensing pastry	5
Machines for dispensing soup	1

Vending machines, once regarded only as a convenience, are rapidly taking their place as an important factor in the over-all program for building employee morale and improving employee and industrial relations.

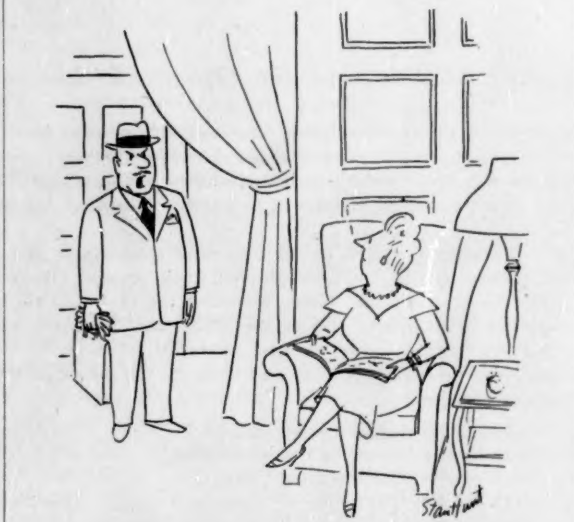
—*American Business* 8/56

New Horizons for Closed-Circuit TV

THE COST of the rapidly growing number of closed-circuit television programs being put on by industry is not small; the tab for one may run anywhere from $35,000 to over $300,000. But advocates insist that they offer big savings over meetings that take field men away from their jobs and entail substantial travel expense.

What about talking back—two-way communication? It's here, and probably will be used considerably in the future. Last December, for example, General Electric's Electric Housewares Division, Bridgeport, Conn., transmitted an important policy change to its field men in a 20-minute presentation right from the home office. Then there was a one-hour interval while the men digested the information and discussed it in terms of local situations. TV communications were then resumed and reversed, with field fellows firing a barrage of questions.

—*The Iron Age* 7/26/56



"So when I suggested that it seemed only fitting that I should succeed to the chairmanship of the board, he said, 'What're you squawking about—you're getting three squares a day, aren't you?' "

How Much Dishonesty Coverage?

AN EMPLOYEE DISHONESTY LOSS is just as likely to bankrupt a firm as a third-party liability claim. And it has one characteristic that makes it entirely different from any other kind of loss: It is the only type that defies discovery. Any ordinary person can discover a fire loss, a third-party liability loss, or an automobile accident, but it takes an ingenious person to discover an employee dishonesty loss. Some of them have escaped as many as 15 independent public accountant audits. Some have remained undiscovered as long as 25 years, despite regular federal or state examiners' audits. As a matter of fact, the average period during which a defalcation occurs without being discovered is three years for commercial and industrial concerns, seven years for financial institutions.

Many studies have been made of dishonesty losses, their causes and methods of prevention. The survey that produced one of the most interesting results was made by Price, Waterhouse & Co. An analysis of 100 cases broke down the losses by the method of discovery:

Internal checks	11
Management inquiries	16
Public accountants and internal auditors	29
Unknown	8
Gratuitous circumstances or just plain luck	36

Obviously, the surprising thing is that over one-third of the losses analyzed were discovered through sheer luck.

In 1952, a committee of the Surety Association of America was appointed to study all outstanding yardsticks and to decide upon a scientific method of determining the minimum amounts of fidelity coverage that should be carried by various concerns. Two outstanding problems faced the committee: (1) finding a table that would recognize differences in exposure due to the various kinds of operations of insureds; (2) finding a table that would apply both to small and large concerns without producing exorbitant amounts of coverage for the larger ones.

The first problem was solved by an analysis of what was stolen and the methods used. The following three items were used as a basis for arriving at a final table: (1) cash, deposits, securities, accounts receivable; (2) goods on hand or inventories; and (3) annual gross sales or income.

Obviously, the sum of these three elements cannot be insured to value, so it is necessary to determine what percentage of each may be considered as constituting fair exposure. In answer to this, we have, through trial and error, arrived at the following percentages: 20 per cent of cash, deposits, securities, receivables, etc.; 5 per cent of goods on hand—i.e., raw materials, material in process, finished merchandise or products; 10

Suggested Minimum Amounts of Honesty Insurance*

Exposure Index		*Amount of Bond*	
$ 1,000 —	$ 25,000	$ 15,000 —	$ 25,000
25,000 —	125,000	25,000 —	50,000
125,000 —	250,000	50,000 —	75,000
250,000 —	500,000	75,000 —	100,000
500,000 —	750,000	100,000 —	125,000
750,000 —	1,000,000	125,000 —	150,000
1,000,000 —	1,375,000	150,000 —	175,000
1,375,000 —	1,750,000	175,000 —	200,000
1,750,000 —	2,125,000	200,000 —	225,000
2,125,000 —	2,500,000	225,000 —	250,000
2,500,000 —	3,325,000	250,000 —	300,000
3,325,000 —	4,175,000	300,000 —	350,000
4,175,000 —	5,000,000	350,000 —	400,000
5,000,000 —	6,075,000	400,000 —	450,000
6,075,000 —	7,150,000	450,000 —	500,000
7,150,000 —	9,275,000	500,000 —	600,000
9,275,000 —	11,425,000	600,000 —	700,000
11,425,000 —	15,000,000	700,000 —	800,000
15,000,000 —	20,000,000	800,000 —	900,000
20,000,000 —	25,000,000	900,000 —	1,000,000
25,000,000 —	50,000,000	1,000,000 —	1,250,000
50,000,000 —	87,500,000	1,250,000 —	1,500,000
87,500,000 —	125,000,000	1,500,000 —	1,750,000
125,000,000 —	187,500,000	1,750,000 —	2,000,000
187,500,000 —	250,000,000	2,000,000 —	2,250,000
250,000,000 —	333,325,000	2,250,000 —	2,500,000
333,325,000 —	500,000,000	2,500,000 —	3,000,000
500,000,000 —	750,000,000	3,000,000 —	3,500,000
750,000,000 —	1,000,000,000	3,500,000 —	4,000,000
1,000,000,000 —	1,250,000,000	4,000,000 —	4,500,000
1,250,000,000 —	1,500,000,000	4,500,000 —	5,000,000

* This table, to which Mr. Conner refers in his article, is here reprinted from *How Much Honesty Insurance?* (Single copies of this booklet are available without charge from the Surety Association of America, 60 John Street, New York 38, N. Y.)

per cent of annual gross sales or income. The sum of these percentage results is called the *exposure index*.

The second problem—to prevent the amount of coverage for larger concerns from reaching astronomical proportions—was solved by providing a table that set out the recommended minimum amount of coverage for various exposures on a curve. The table of coverages starts out at 100 per cent of the exposure index for smaller concerns and recedes to less than 1 per cent of the exposure index for larger concerns. In applying this table to the 500 losses studied by the committee, we find that 95 per cent of all the losses would have been covered, leaving 5 per cent only partially covered.

In applying the table, do not be surprised at large increases in coverage over present amounts. Too many insureds have carried minimum bond amounts and used premium as the sole guide in deciding "How much insurance?"

■ *George A. Conner.*
THE WEEKLY UNDERWRITER,
September 29, 1956, p. 669:4.

Automation Fights Industrial Fires

FIRE-FIGHTING AUTOMATION can be built into modern factories, according to the Fire Services Officer of one of Great Britain's largest industries, Imperial Chemical Industries, Ltd. J. H. Hutchinson told the 60th annual meeting of the National Fire Protection Association that some automatic controls have already been introduced; he cited devices that automatically release suppressants in a fine spray to avert dust explosions and mechanisms that float on the surface of liquid fuel in tanks and automatically go into operation to damp out fire.

Other safeguards include scanning devices, electric eyes, electrical resistance-detection mechanisms, and devices for the detection of smoke, gas, heat, and radiation.

Although the problem of accidental fires arising from the human element must continue to be solved largely by safety education, automatic fire prevention measures, with each machine including its own means of protection, should be able to handle other industrial fires.

—*News About Fire* (National Fire Protection Association, 60 Batterymarch Street, Boston 10, Mass.)

AMA INSURANCE CONFERENCE

AMA's Fall Insurance Conference will be held Wednesday through Friday, November 14-16 inclusive, at the Palmer House, Chicago.

When a Corporation Says "Merry Christmas!"

IT'S GOOD BUSINESS to be generous. That is the opinion of a cross section of U.S. corporate givers. They remember customers and employees at Christmas, on birthdays, and other occasions as well—and they find that giving brings rich returns in good will, loyalty, and genuine friendliness.

Not all companies believe in presents. Some give nothing, not even a holiday bonus to workers. Others prefer donations to charity, or question the gift policy they actually follow. But a decisive majority—close to 78 per cent or more than a thousand executives participating in *Sales Management's* latest survey of corporate giving practices—say gifts are an integral part of their public relations, and a valued sales aid.

Among the findings of the survey:

1. More companies have a gift policy, a rise of 6.4 per cent over 1954.

2. Average cost per item is $4.49. This compares with $3.59 in 1954. At the same time, lists are smaller, averaging 617 in contrast to 738. The dollar increase comes from inflation, plus greater use of more expensive gifts—$5 to $10 and more.

3. Gifts for the entire family scored a big advance—up from 5.5 per cent to 77.8 per cent of the total.

4. While Christmas is the favored time for giving, 4.7 per cent give only at other times—birthdays, Thanksgiving, etc. And 22.7 per cent give at both Christmas and other periods.

5. Merchandise gifts for employees are used by 79.5 per cent as being "in harmony with the holiday spirit." In 1954, the figure was 51.2 per cent.

6. Most gifts—67 per cent—are chosen largely in the three months of September, October, and November.

7. Food is the most popular classification, with turkeys, hams, fruit, cheese leading in that order. Lighters, both pocket and table models, remain as the most-used single item. But magazine subscriptions, books, glassware, and products for the car made wide gains.

8. To avoid favoritism, most employees receive identical gifts, often foods. Gifts for customers are generally graded.

The trend is strongly toward trying to fit the gift to the recipient's taste. "Thoughtfulness counts for much more than value," one sales manager explains.

In line with this trend is the widespread use of gift catalogues and certificates for employees and customers. Recipients get a list, generally illustrated, and are told: "Pick what you want." Items are all of about equal value, with varied kinds of products for home, personal, and office use.

Catalogues are graded according to cost. For one gift group the cata-

logue may depict $20 items; or it will show merchandise within any other desired price range.

Forty-one per cent of the respondent companies include both customers and employees on their gift lists. Customers and prospects receive no gifts from 17.8 per cent of the firms, who confine their giving to employees (including distributors, sales representatives, and dealers); 41.2 per cent of the companies give to customers and prospects only.

Almost 66 per cent of the respondents change the gift from year to year; the remainder stick to a gift that has been well received in the past.

Many corporations repeat gifts for employees, especially foods, so that the Thanksgiving turkey or the Christmas basket of Florida fruit becomes a cherished institution. By and large, gifts for customers are changed more frequently.

Several respondents report excellent response from a "chain" series: One year the gift is, for example, a suitcase. The next year a matching piece of luggage is sent.

About 27 per cent of all gifts are distributed at times other than the Yuletide or to commemorate special events. These are, in order of popularity: birthdays; anniversaries; calls on customers; Thanksgiving; seasonal, "spring," etc.; throughout the year; conventions; meetings; to visitors; weddings; births; Easter; picnics, outings; store or plant openings; and as incentives.

Many companies observe the morale-building practice of a gift to employees on the date they joined the firm, or to customers in honor of "Ten years of doing business with you," etc.

The executive who determines the amount of money allotted for gifts is the sales manager in 34.6 per cent of the companies; the president in 29.3 per cent; the vice president (usually sales) in 22 per cent; the general manager in 8.5 per cent. Other companies leave the decision to a committee, the company treasurer, branch or division managers, salesmen, and others.

Many respondents say that more than one person has a voice in the decision. While the president or sales manager may give final approval, he first consults with salesmen and others.

■ SALES MANAGEMENT
September 10, 1956, p. 18:6.

AMA MID-WINTER PERSONNEL CONFERENCE

AMA's Mid-Winter Personnel Conference will be held Wednesday through Friday, February 13-15 inclusive, at the Palmer House, Chicago.

Staggered Working Hours— Cure for Transportation Headaches?

STAGGERING WORKING hours is one remedy for transportation tie-ups associated with employees going to and from their jobs in communities throughout the country. To determine how companies vary arrival and departure times for their employees, Prentice-Hall recently conducted a survey of representative companies in cities of various sizes.

Some type of stagger plan for day workers is now in effect in about 65 per cent of the companies responding. More specifically, about one-third of the factory employees working for firms employing over 1,000 have staggered hours on the day shift. In contrast, over four-fifths of office workers in commercial firms employing over 1,000 workers adhere to a staggered arrival-departure schedule.

The pattern for staggered hours schedules shows that about an equal number of companies have arranged either a 15-minute or 30-minute difference between each staggered group.

Of the companies who adopted some type of stagger plan, 57 per cent also shortened the duration of their lunch periods to 30 or 45 minutes. For example, in many factories and offices in crowded urban areas, a 15-minute change in arrival and departure time made it possible for many employees to miss the commuters' peak rush hours. They merely traded 15 minutes of their lunch hour for a less debilitating commutation scramble.

Fourteen per cent of the companies attributed reduced absenteeism to the adoption of staggered hours, while 26 per cent said that it definitely helped relieve many commutation difficulties.

—*Personnel Policies and Practices Report* (Prentice-Hall, Inc., 70 Fifth Avenue, New York 11, N. Y.) 6/12/56

Needed: More Risk Capital

CAPITAL INVESTMENT in private productive facilities (including plant and equipment, land and natural resources, and working capital) totals about $700 billion. Figuring a productive labor force of 55 million, that means each American worker uses assets valued at $12,500, says the Council for Technological Advancement, Washington. Looking at those figures another way: It takes $12,500 to create one job in this country.

For maintenance of present equipment and increased productivity, CTA estimates U.S. business must raise another $40 billion annually at its present rate of growth. A minimum of $25 billion is needed for maintenance ($450 per worker); $5 billion to buy new equipment for new workers; $10 billion for increased rate of productivity.

—*Steel* 9/56

What Your Boss Really Means

THE COLUMBIA UNIVERSITY catalogue lists courses in 43 different languages, including Azeri-Turkic. One language is missing. Yet a knowledge of this untaught pattern of speech is indispensable for a successful business career. What esoteric tongue *is* this? It's executive English.

Time was when a boss spoke loudly and bluntly. Anyone within a hundred yards knew he was the boss. But a change has come over him in recent years, probably dating back to the disappearance of the five-cent apple. Today's executive is polite, urbane, gracious—and thereby inscrutable.

The changeover has been something like what happens in the life of any parent whose youngster has reached the age of ten or eleven. Previously, the little one was bitterly frank about all his wants—but you knew without a doubt what they were. Now, as he copies civilized ways, he tries to be polite and considerate, with the result that you can't figure out what's on his mind.

The boss, being adult, can be far more gracious—and deceptive—than the child. The other day a man anxious to work out a deal with a major TV network came reeling out of Radio City after a conference with an executive vice president. "Nicest fellow I ever met," said he, while the warm bath of friendliness still engulfed him. But a few minutes later he emerged with a shock: "Boy, was I taken in! He took the shirt off my back."

A proper study of the language of the modern executive would have prevented this disillusioning experience. Executives have their individual

"I'd like your ideas as to how we can increase the productivity of the staff."

styles—but there's much common ground, too. The language is rich in cliches that vary little from one executive suite to another. These must be understood before you can advance toward an appreciation of your chief's own linguistic inventions.

Here's a typical example.

Boss: "Joe, take a look at this and give me your candid opinion."

Translation, if the boss has done the job himself: "Tell me how wonderful it is." Or, if someone else has done it, "I don't like it, but give me some good reasons I can use as my own."

The key word in his question was "candid." Beware of it.

Here's another gambit that can easily trap you: "Joe, when you have a chance, will you write me a report . . .?" Forget that deference to your schedule. What he means is, "I want it before lunch!"

You knock yourself out and get the report in before lunch. Then you're likely to hear "Just had a look at this report you drafted, Joe. Looks fine. Just a few suggestions. . . ."

Don't jump with joy. He's about to imply, "Throw the thing out and start all over again from scratch."

But let's assume that in your innocence you took the boss literally and did write the report when you had "a chance." You've had the above discussion, and the report is finally wrapped up. A few days go by. Then, unexpectedly, the boss engages you in a friendly, offhand conversation. Smoothly he moves into, "Joe, I'd like your ideas as to how we could increase the productivity of the staff." Are you flattered! He's asking *you*. You've arrived. But have you? Your boss remembers that tardy report full well, and the conversation has nothing to do with the *rest* of the staff's production. He's telling you "Joe, you'd better get off your rump or you won't be here after the first of next month."

This version of the hidden-ball play, which has many variations, can be used whenever the boss wishes to make a point discreetly without pointing a finger directly at you. For example, in his heartiest Toots Shor manner, he may say, "Joe, I enjoy a good joke as well as the next guy. But I've been hearing some cracks in the industry about our company, and they sound as if they started here. I wonder if you'd mind passing the word along. . . ."

If you're smart, you'll realize he means "Cut the smart cracks, Joe."

Having mastered these rudimentary lessons—and done a job of work, too—you're ready to move up the line. The first inkling of what's in store for you comes when your boss says, "Joe, I've been keeping my eye on you for a long time. I feel you're making a real contribution to our work, and looking at it from your point of view, I feel you should think of the long pull rather than the immediate future."

"Looking at it from your point of view, I can see quite a future for you here."

That has bittersweet implications. It means "I'm going to load you with more responsibilities, but that raise you want is out."

You do, however, get a beige carpet and a rose-tinted secretary. You now call the boss "P. T." (He still calls you Joe—not J. J.") Soon you'll be getting an assignment like this: "Joe, I wonder if you'd mind digging around and seeing what you

can find out about this. I have to make a little talk on Monday."

By this time, you know P. T. means "Joe, spend the week-end preparing a full 45-minute address, complete with documented facts and appropriate anecdotes. Make sure I haven't heard the jokes before."

"I've had the feeling for some time that you've outgrown your job."

Every upgraded employee soon comes to recognize that his chief considers himself an employee, too. He has his own superiors to contend with. (Even a corporation president feels he's working for someone else—his board of directors or those big cornstarch accounts.) So, when you're taken to a high-level conference by your immediate superior, you may find his sonorous sentences saying one thing to you, his underling, and another to the top brass, *his* masters.

Here's P. T. at such a conference, bringing up for discussion an idea you've been developing, on your own, for weeks:

"I've been giving some thought to a new project for the company," he says, "and I've had my people do some preliminary exploratory work. Joe, suppose you spell out the details."

What he's saying for your ear is "Joe came up with a bright idea. Tell them about it, Joe, but be sure you give *me* all the credit."

You can swallow your pride and "grow with the organization"—as a favorite executive expression has it. If you don't, P. T. may come to say:

"Joe, I've had the feeling for some time that you've outgrown your job. We'd be losing a good man if you left, but I wonder if you're not wasting yourself here."

That's the axe, man. Literally translated, it means "You've outlived your usefulness and become too expensive. We can replace you at half your salary."

On the other hand, if you do come up to P. T.'s expectations, he'll handle the situation with the same urbanity as he does in cutting you down. An executive can be gracious on *your* side, too. Still, he may have to be indirect about it. For example:

"Joe, I know you have your own work to do, but I wonder if you'd mind giving Bill Smith a hand in his department for a couple of weeks."

What's P. T. after? Don't get suspicious. He may be telling you "We're sizing you up for a transfer into Smith's department, and a promotion. Take the hint—and make good! You might land Smith's job eventually, when he moves up."

■ *Lawrence C. Goldsmith.* TODAY'S LIVING, *The Herald Tribune Magazine (© 1956, New York Herald Tribune, Inc.) October 7, 1956, p. 4:2.*

ALSO RECOMMENDED

Brief Summaries of Other Timely Articles

GENERAL

HERE'S HOW PROFESSIONALS FIND MANAGERS. *Nation's Business* (1615 H Street N.W., Washington 6, D.C.), September, 1956. 60 cents. More companies are using professional recruiting firms to meet executive manpower needs of late, reports this article. A major reason: The supply of managers has not kept pace with post-war business growth. Also, many firms have failed to train executives in their own ranks, and new types of business have emerged for which there is no backlog of executives. Some techniques used by recruiters in their search are interestingly described here.

ECONOMIC AID: SOVIET STYLE. By Egon Kaskeline. *Challenge* (475 Fifth Avenue, New York 17, N. Y.), August-September, 1956. 20 cents. Despite the United States' outlay of $55.8 billion for foreign aid since World War II, Russia is successfully winning the friendship of countries once considered pro-West with an economic aid program estimated to total less than $15 billion to date. In this article, the author describes the strategy by which Russia is making her limited foreign aid pay off and points out mistakes the United States has made in conducting this economic competition for allies.

A RICHER LIFE IN A POORER WORLD. By B. Brewster Jennings. *Vital Speeches* (33 West 42 Street, New York 36, N. Y.), October 1, 1956. 30 cents. Meeting the rising material demands of a growing population will become increasingly difficult as depletion of irreplaceable natural resources forces us to turn to poorer and less accessible sources of raw materials, says the author. He stresses the desirability of business teamwork on an ever-larger scale, pointing out that the job of developing major new sources of raw materials and energy is too big for individual companies to attempt alone. Financing such development will be an important problem during the next few decades, he predicts.

CULTURAL PURSUITS AND THE BUSINESS MAN. By Francis Neilson, D. B. Steinman and Fred Olsen. *Dun's Review and Modern Industry* (99 Church Street, New York 8, N. Y.), September, 1956. 75 cents. In the three articles making up this "panel discussion," the authors agree that the business man can significantly enrich his life by developing creative leisure interests. Political economist Francis Neilson describes various cultural avocations, while bridge-builder D. B. Steinman discusses the satisfactions to be gained from appreciating beauty in utilitarian objects. Mr. Olsen, a vice president and director of Olin-Mathieson Chemical Corporation, suggests that after-hours esthetic pursuits, such as painting and music, can free the business man from the restrictive discipline of his job.

THE SUNNY SIDE TO THE HUNT FOR NEW SOURCE OF ENERGY. By Milton Golin. *Commerce* (1 North LaSalle Street, Chicago 2, Ill.), August, 1956. 35 cents. Solar energy, already in limited practical use, will be the dominant form of industrial power in the foreseeable future, according to the author of this report on its current applications and future prospects. Pointing out that the greatest promise lies in advances being made in direct conversion to electricity, the author observes that massive financing will be necessary to make widespread industrial solar power a reality.

INDUSTRIAL RELATIONS

MANAGEMENT RIGHTS: CONFLICT OR COOPERATION? By Otis Lipstreu. *Labor Law Journal* (4025 W. Peterson Avenue, Chicago 30, Ill.), September, 1956. $1.00. The greatly changed employer-employee relationship resulting from legislation and aggressive unionism has made the concept of management prerogatives a subject of heated controversy, the author says. In this article, he cites examples to indicate that consultation with the union on problems and issues, even in cases where management's authority is unquestioned, can result in the positive cooperation of labor and a more favorable management-union relationship.

EXECUTIVE PERSONAL DEVELOPMENT. By Lincoln Atkiss. *Office Executive* (132 West Chelten Avenue, Philadelphia 44, Penna.), August, 1956. 50 cents. Although an executive can give a promising subordinate opportunities for growth, "management development" cannot take place unless the subordinate earnestly strives to develop the right leadership skills, work habits, attitudes, and personality, says the author. Warning that job specialization is a burial ground for the potential executive, he outlines a self-development program for the ambitious young management man.

HOW TO LEAVE A COMMUNITY WHEN YOU RELOCATE. By Laurence C. Plowman. *Management Methods* (22 West Putnam Avenue, Greenwich, Conn.), September, 1956. 50 cents. What can be done for a small town when a major employer decides to move? In this interview, a vice president at Textron, Inc., describes the experience of his own company when it closed a plant in Nashua, N. H. Textron cooperated with local business leaders by selling them the plant property, taking a heavy mortgage, and helping to bring in new industries.

ECONOMICS OF THE GUARANTEED WAGE. By Jules Backman. *Labor Law Journal* (4025 West Peterson Avenue, Chicago 30, Ill.), October, 1956. $1.00. Although current SUB plans avoid some of the economic defects of the unlimited GAW, the author says, such plans will probably spread more slowly than was first believed. Among the reasons for this, he cites (1) opposition of older workers, who must in effect forego wage increases in order to provide protection for newer employees during periods of unemployment; (2) the prohibitive cost to companies that are losing their relative position in the industry or are subject to wide cyclical fluctuations.

OFFICE MANAGEMENT

INTEGRATED DATA PROCESSING. By Robert A. Scudder. *Office Executive* (132 West Chelten Avenue, Philadelphia 44, Penna.), August, 1956. 50 cents. The author describes in detail how an integrated data-processing system can be used in various business procedures. Pointing out that IDP is not restricted to industrial applications, the author illustrates the use of the system in a retail sales operation, a stock-ledger posting routine, an order-entry system, and a procurement operation. The author also describes an IDP system using cards rather than tape.

THE FUNCTIONS OF A CLERICAL SYSTEMS GROUP. By K. G. Belbeck. *Systems and Procedures Quarterly* (4463 Penobscot Bldg., Detroit 26, Mich.), August, 1956. $1.00. Stressing the importance of clerical efficiency, the author

describes how a company can make a thorough study of its clerical systems and come up with recommendations for new procedures to increase efficiency and reduce operating costs. Various aspects of such a study are discussed by the author, including composition of a study group, differentiation between poor procedures and poor administration, and mechanization of clerical systems. The author warns that, to be effective, the study must cover every department in which any clerical work is done.

FORMS CONTROL. By Frank M. Knox. *Office Executive* (132 West Chelten Avenue, Philadelphia 44, Penna.), August, 1956. 50 cents. Although the mechanics of forms control are important, the author believes that other problems are likely to be more troublesome during the actual setting up of a forms control program. Some of these problems are: obtaining full management backing for the program, getting the proper personnel assigned to the job, and enlisting the necessary cooperation from the various company departments.

SUBJECT CORRESPONDENCE FILES IN THE SMALLER OFFICE. By John M. Anderson. *Office Management* (212 Fifth Avenue, New York 10, N. Y.), October, 1956. 35 cents. There is no need for harassed executives and their secretaries to hunt endlessly through reams of correspondence in search of an elusive letter, says the author in an article describing a simple yet efficient decimal filing system for general correspondence. According to the author, the system is so easy to install that it can be done at odd moments by existing personnel with hardly any out-of-pocket expenses.

PRODUCTION MANAGEMENT

PLANNING FOR SAFETY. By R. W. Mallick. *Mechanical Engineering* (29 West 39 Street, New York 18, N. Y.), September, 1956. 75 cents. Planning a plant layout with safety in mind is the best way to keep accidents to a minimum, says this author. He discusses the many elements to be considered by the planning engineer in laying out a safe plant, including the plant site, entrances and exits, stairs, elevators, aisles, ramps, equipment arrangement, painting and lighting, fire and explosion prevention, first-aid facilities, flow of materials, good housekeeping, and materials handling and storage.

MATERIALS: TIME FOR A CHANGE? By Annesta R. Gardner. *Dun's Review and Modern Industry* (99 Church Street, New York 8, N. Y.), September, 1956. 75 cents. Generously illustrated with charts and pictures, this article offers an over-all view of the constantly changing industrial materials field. Included is a survey showing that 38 per cent of the companies in seven major industrial categories have added new basic materials or dropped old ones in the past five years. Other sections describe the latest materials developments, examine various problems facing companies in their search for new materials, and discuss ways in which materials suppliers can improve their service. Of special interest to companies contemplating a switch to new materials is an executive check list of factors to be considered in making a suitable choice.

SIGNIFICANT AREAS FOR COST REDUCTION. By B. A. C. Hills. *Cost and Management* (31 Walnut Street South, Hamilton, Ontario, Canada), September, 1956. 50 cents. Each area for possible cost reduction in a manufacturing enterprise must be considered in relation to the rest, the author maintains, and its effect on all other elements must be taken into account. From this view-

point, he discusses the interrelationship of such potentially profitable areas for cost reduction as standardization of materials, maximum utilization of labor, control of work flow, effect of sales and design policy on production costs, and management organization and control techniques.

HOW COLOR CAN SERVE YOU. By D. E. Garrett and W. A. Jordan. *National Safety News* (425 North Michigan Avenue, Chicago 11, Ill.), September, 1956. $1.00. This article describes how the functional use of color can reduce accidents and worker fatigue. According to the authors, improved safety records are one beneficial result of the use of color codes to identify various types of plant equipment, and worker efficiency can often be increased by a simple change in the color of a wall or machine to relieve eyestrain and fatigue. The authors give some basic principles of functional decoration and include tables listing standard color coding for plant equipment.

MARKETING MANAGEMENT

WHEN A CORPORATION SAYS "MERRY CHRISTMAS!" *Sales Management* (386 Fourth Avenue, New York 16, N. Y.), September 10, 1956. $1.00. The accent is on Santa Claus in this issue of *Sales Management,* which is almost entirely devoted to various aspects of corporation Christmas giving. Among the features are a survey of corporate Christmas giving policies, a report on favorite business gifts of 1955 (food leads the list), and several articles on picking suitable gifts for the business recipient. Another feature is an illustrated "shoppers' guide."

A MAJOR PROBLEM OF MIDDLE BUSINESS. By Richard Sanzo. *Dun's Review and Modern Industry* (99 Church Street, New York 8, N. Y.), September, 1956. 75 cents. For the medium-sized company facing a growing competitive battle, the author recommends four strategic management approaches designed to increase sales volume: (1) fully utilizing company management in all departments; (2) pursuing the possibilities of product improvement, adaptation and promotion; (3) being ready to adapt to changes in marketing and distribution methods; and (4) carefully selecting, training, and motivating salesmen. Illustrated with case material.

HOW TO BRAINSTORM YOUR WAY TO SALES. *Industrial Distribution* (330 West 42 Street, New York 36, N.Y.), September, 1956. 50 cents. Brainstorming—the uninhibited group approach to idea getting—is recommended in this 32-page feature as a useful method of solving sales problems. Seven typical problems faced by industrial distributor salesmen are presented, followed by sets of questions suggested for brainstorming sessions. There are also comments by salesmen on the handling of the problems and tips on the most effective ways of conducting the idea sessions.

ADVERTISERS' GUIDE TO MARKETING FOR 1957. *Printers' Ink* (205 East 42 Street, New York 17, N. Y.), August 24, 1956, Section Two. $2.50. The fourth annual edition of this comprehensive reference book for advertising people puts more emphasis on statistical and factual information than previous issues. In addition to basic advertising and marketing information, the guide features data on the Negro market, a special contribution on research, and material on foreign language markets and media. An amplified section on business paper advertising includes research findings on color, repetition, continuity, and frequency.

FINANCIAL MANAGEMENT

BROADER SHAREOWNERSHIP. By G. Keith Funston. *Vital Speeches* (33 West 42 Street, New York 36, N. Y.), October 1, 1956. 30 cents. Pointing out that U.S. stockholders now number more than 8½ million, a 33 per cent increase since 1952, the author asserts that a far greater broadening of the investment base will be needed if industry is to be supplied with the capital necessary to meet the increasing material demands of a growing population. He suggests that executives encourage "mass investment" by promoting their companies as effectively as they do their products and by making incentive awards of stock to salesmen and dealers.

THE BUDGET AS A TOOL FOR FINANCIAL PLANNING AND COORDINATION. By Worth Probst. *N.A.C.A. Bulletin* (505 Park Avenue, New York 22, N. Y.), September, 1956. $10.00 per year. A detailed explanation of the steps by which one company (Carrier Corp., Indianapolis, Ind.) prepares a coordinated profit or loss budget that relates even small expense items in remote departments to the over-all operation of the corporation. The author describes the mechanics by which the several levels of management involved develop the operating patterns for the future year's operation, and he includes specimen forms.

MANAGEMENT CONTROLS. By John H. Hennessy. *The Internal Auditor* (120 Wall Street, New York 5, N. Y.), September, 1956. $1.00. This discussion of the tools available to management for controlling includes a consideration of policy manuals, organization charts, job descriptions, operating budgets, standard costs, and variable cost elements. The author emphasizes the growing importance of internal auditing and systems and procedures as valuable members of the management team, and he stresses the importance of human relations in getting the best results from controls.

INSURANCE MANAGEMENT

RISK MANAGEMENT: NEW PHASE OF COST CONTROL. By Russell B. Gallagher. *Harvard Business Review* (Soldiers Field, Boston 63, Mass.), September-October, 1956. $2.00. Because the job of analyzing accidents and coping with the risks that give rise to them is ordinarily divided among insurance brokers, accountants, safety engineers, etc., many factors are overlooked or viewed too narrowly, and the efforts of cost-conscious managements have fallen short of their goal, the author believes. In this article, he outlines a workable program of risk management that includes analysis of risks, preventive steps to be taken, insurance against risks, and designation of a "risk manager" to administer the program.

SUGGESTED METHODS OF MANAGING BUSINESS RISKS. By Robert W. Strain. *National Insurance Buyer* (49 West 32 Street, New York 1, N. Y.), September, 1956. 50 cents. If a company undertakes self-management of its business risks, it must be careful to avoid the common mistake of thinking that the mere assumption of risk is true self-insurance, the author says. He describes the principles upon which self-insurance must be based if it is to provide real security, and warns that this type of risk management is only feasible if a company can meet three basic requirements: measurability of risk, a large number of similar exposure units, and absence of catastrophe hazard.

Must Managers Specialize? The Case for Executive Versatility

■ *William B. Given, Jr.*
Chairman of the Board
American Brake Shoe Company

One of the most critical problems confronting American industry today is the shortage of men who can fill important executive jobs. To beat this shortage, most large companies and many small ones are trying to cultivate their own supply of managerial talent. Executive development—once largely a do-it-yourself affair, possibly involving an assist from a kind-hearted boss—has become a top-priority project of progressive managements.

All too often, however, a company proceeds with a formal management development program without stopping to ask what exactly it is trying to do. In many companies, management development simmers down to a process of selecting promising trainees, putting them through an orientation period, and then developing them along increasingly specialized lines within particular departments of the company.

SQUARE PEGS OR MANAGERS?

If, as a good many people believe, management is a distinct art in itself, an entirely different approach is called for: Management development should aim to produce, not square pegs for square

holes and round pegs for round holes, but *executives* who can function flexibly in a wide variety of fields. As a corollary, able men in all sections of the company should be considered to fill any important new vacancy in management. If a budding executive is rigidly confined to one sector of the company organization chart, how can he be expected—when and if he reaches the top level—to blossom forth with the ability to direct a whole set of operations hitherto deemed outside his sphere?

It may seem easier, initially at least, for a company to develop men with specialized skills to fill particular jobs in the organization. But is this really the only "practical" approach?

Right after World War II, the American Brake Shoe Company had an experience that may be illuminating. The company was adding new plants, new products, and new divisions faster than it could find specialists to handle all the added work. As a result, we had to make some unconventional promotions. A divisional comptroller was transferred to a sales management job; a purchasing agent became a division president; the assistant treasurer of the company became director of our medical and safety activities. There were many such moves, and the majority succeeded conspicuously. The former assistant treasurer is, in fact, now president of the company.

MANAGERS CAN BE MOVED AROUND

The experience proved a point to the senior officers: A man who has learned to handle one executive job successfully can generally be relied on to grapple with another, even in a different field. We had been thinking too much of the individual's sphere of experience, too little of the wide range of problems any real executive must cover. Actually, we have found, a man's effectiveness in working with people in one group is a reliable indicator of his leadership abilities in other situations. This is why we at American Brake Shoe frequently find ourselves looking outside a department for the man to fill its management needs. This applies even to top management. Of our 11 divisional presidents, each handling a quite distinctive operation, the great majority can be—and some have been—very freely moved around.

One man, an engineer, went into purchasing shortly after joining the staff and worked his way up to purchasing agent. He was promoted from this rather special job to the presidency of a division, in full charge of sales, purchasing, manufacturing, engineering, personnel—all the operations that are involved in running a company. He did so well at this that he was made head of another, larger, division, with quite dissimilar products and market. Then we started a new division and he became president of that—as well as a vice president of the parent company.

LEADERSHIP—OR DICTATORSHIP?

What happened at American Brake Shoe has happened in other companies. Business leadership has entered a new phase. Thirty years ago, the success of a company was thought to depend on firm control by a single strong individual. This autocratic pattern was repeated all the way down the line, each department head firmly holding on to his prerogatives and resenting encroachments. This strong-man operation could be quite successful during the lifetime of the individual, but on his death or retirement the organization ran a grave risk of falling apart.

Any large company today owes its success to the work of a great many people. Experience has shown that the combined judgment, initiative, and enterprise of a business team produce better long-run results than the iron-handed control of an individual. Furthermore, the growing complexity of industrial problems, plus the trend toward decentralization and diversification of large industries, are making one-man control not only unwise but often impossible.

An understanding of people as individuals is today a most necessary skill for the business executive. He must be able, too, to combine individuals, with their varying abilities and personalities, into an effective team. This shifts the emphasis in management training from technical skills to human skills. And these skills of working with people are very much the same in a wide range of executive jobs.

In the old days, the best salesman usually got to be sales manager. Now, we believe the sales manager's real job is to develop a sales force.

This does not mean that no special qualifications are ever needed. Every executive job has its own special background of knowledge and skills which the new executive must learn if he does not already know them. But the higher one looks on the management scale, the more likely it is that the job can be filled by a man with the requisite abilities from any field of operation, inside and outside the company. The president's job is the widest open of all.

QUALITIES OF A GOOD EXECUTIVE

What are the qualities that make a manager—a man who can move from department to department, from company to company, even from industry to industry—and do well wherever he goes?

The first is wisdom—also known as common sense. The story is told of a woman who hired an electrician to wire her house in India. He ran to her for instructions on every detail. Finally she said, "Why don't you use your common sense?" "Madam," he answered, "common sense is a rare gift of God. All I have is a technical education."

Our company requires technically trained men, but we do not depend merely on the training they bring us. Nor do we find common sense limited to a gifted few. We believe that in the course of their work, men's minds can be both stretched and stimulated.

A second essential attribute is integrity. Over the long haul, the man who rates the confidence and cooperation of his associates is the man who is known to present facts honestly, though he might be vitally interested in the decision; to give full credit to others when he might safely grab it for himself; to discuss his mistakes as openly as his successes.

An executive needs courage—not physical courage, but the courage to gamble on a decision, even if it may mean his job. And with this courage he must combine loyalty—to the company, to his associates, above all to his subordinates. Men will perform seeming miracles for a superior who will fight for them.

A long time ago, a salesman in a division of American Brake Shoe was promoted to another division where, for a minor infraction of rules, he was fired. He took his troubles to his former boss,

a junior executive, who promptly rehired him, even though he lacked full authority to do so and knew he would have to fight to get his decision upheld by top management. The junior executive was acting out of loyalty to the man, yes—but also out of loyalty to the company. He believed in his former subordinate—and in this instance his faith was justified, for the salesman moved on to become a president of American Brake Shoe.

Management must have the nerve to gamble on its own people and to take the consequences. Not every such gamble wins, but the company that wholeheartedly backs its men provides them with a tremendous stimulus to good performance. In the long run, the odds are favorable.

A fifth requirement for executive performance is a deep interest in people. A man who can't feel the failure of a subordinate as his own failure, the success of a subordinate as his own success, is not a true manager.

Another vital requirement is imagination—a mind that is able to question the status quo, to see people, products, and markets in new and superior combinations.

Yet possession of all these qualities does not make an executive. Depth of interest is the final requirement—the focus that bends all energies and all abilities toward a definite goal. If a man's work really interests him, if he has a good time working, his abilities will take him far. Without this stimulus, he will soon flounder.

All these qualities—common sense, integrity, courage, loyalty, interest in people, imagination, depth of interest—are, of course, essential qualities of any manager. The point is precisely that they *are* the essentials; knowledge and skills in special fields can be acquired far more readily than the skills of management. That is why a manager who has the requisite abilities for one field should be able to shift to another. If he lacks these abilities he is not really a good manager at all.

CHOOSING MANAGEMENT TRAINEES

Finding and developing executive talent is a major activity of top management of American Brake Shoe. Much of the time of company officers is spend in talking with potential trainees, in

bringing along men on our staff. Since we believe that the judgment of several persons is needed, it is our practice to let a candidate for executive training talk with officers and executives in various departments and with some of our younger men—who, we find, are often the best guessers.

These interviews are far from perfunctory. We try to get to know the man thoroughly. We spend time with him away from the office if possible. One helpful lead is to get him to talk about his parents—first because he is quite likely to reflect their interests and personalities, and second because the talk gives an impression of the man at home, what he is like as a human being. Another yardstick, though not a completely reliable one, is the man's college record, particularly his extracurricular activities. These give a clue to his energy and drive. But we want much more. We strive to develop executives who not only possess drive, but create it in their subordinates.

If a candidate seems promising, we may suggest that he visit some of our plants and talk with their superintendents. On each visit, his guide is a trainee or a recent graduate, and he is given an opportunity to talk with other trainees and supervisors.

DEVELOPING AND TRAINING MANAGERS

Selection is the first step. After that comes teaching through an organized management apprentice system, then a period of broadening the man through exposure to a wide range of problems.

All this work must be interesting. The "apprentice" must feel that his growth is watched, his progress is recognized. We have learned that the development of individuals is often retarded or defeated by supervisory people who either can't or won't teach their subordinates. We have learned also that a poor teacher is a poor executive.

The third step in executive development is widening the range of experience. This means giving our potential executives an opportunity to observe men in many departments handling their problems. Apprentices spend time visiting each department in the company's general offices, getting to understand its function in the organization. When an important top-level discussion occurs

on such a matter as product pricing, labor negotiations, or financial planning, we invite some of the younger men, in order to expose them as fully as possible to the process by which plans and decisions are made. This helps them to learn—and it helps us to learn about them. Observing the man in as many situations as possible, we can size up his ability and decide how he can best be helped.

All this does not complete the job of development. Management's responsibility does not end with providing training and opportunity. We must actually lead men to reach out and take the opportunities that lie about them.

FREEDOM TO MANAGE

This means, to start with, that the manager at every level must be entrusted with the full authority to make the decisions that his job entails. This process is by no means automatic; there are executives who prefer for one reason or another to make the decisions for their subordinates. But the company cannot afford such executives.

Giving men freedom entails certain risks—both for themselves and for the company. During the years 1949-50, for example, American Brake Shoe moved into important jobs 12 young men with an average of only five years' working experience. Each man exercised a great deal of authority, and each made some costly mistakes. But today these men are seasoned executives. Their worth to the company is many times greater than the cost of their mistakes.

FREEDOM TO REACH OUT

Even the freedom to operate within one's department is not enough. In our organization, people are encouraged also to reach out beyond their own jobs—to take an active interest in any area where they see possibilities for improvement.

In countless situations, this "reaching out" policy has paid off handsomely for the company. A foreman in a midwestern plant was in charge of production of non-metallic bearings. Sales had been poor for some time. One day the foreman happened on an old file of repeat orders for the bearings, from companies that had not bought for the past five or six years.

The foreman took these orders to the sales manager and suggested that something ought to be done to renew these accounts. The sales manager put some men on this project, and he actually succeeded in regaining a great deal of business during a critical period. The step was an important one in putting the unit back on its feet. It also marked a milestone in the careers of both the foreman and the sales manager.

Such incidents occur in every company. But they happen much more often in companies where individuals are urged and expected to look beyond the limits of their own block on the company organization chart.

EDUCATION THROUGH NEW EXPERIENCES

One way to get people to reach out is to give them a new assignment that will expose them to new experiences. For example, a salesman was asked to conduct some experiments on the abrasive-resistant qualities of one of our new metals. Discussing the many problems of the new material with his boss and others, he soon became an authority on it. He was asked to devote half his time to selling it, at an increase in salary, and later rose to an executive job in the sales department.

An office boy was promoted to supervisor of our duplicating department because he learned more about the machines, on his own initiative, than the service man from outside the organization who had been running them.

Early in the 1940's Brake Shoe needed an editor for its company publication. For years, the pubiication had been failing in its purpose of improving employee relations, because the previous editors lacked understanding of the readers. A foreman from one of the western plants was appointed. He had no editorial background, but he had talent, he liked and understood people, he had worked in a plant and had been exposed to production workers' interests, gripes, and ambitions. The new editor was urged further to increase his knowledge by visiting other plants and chatting with people of every rank. He has succeeded where men with a better technical background for the job had failed.

There are dangers in reaching out, of course. One's idea may

arouse hostility; it may be rejected; it may fail. We try to minimize these dangers. But the man who is not willing to take some risk is not ready to advance in management.

EXECUTIVE SELF-DEVELOPMENT

These are the steps the company takes toward executive development. At least equally important are the individual's efforts at self-development. A man can take courses, read books to ready himself for jobs of increasing responsibility. He can also—and perhaps more decisively—prepare himself through a process that might be called the education of explored experience.

He can examine carefully, intensively, his own experience at home, at school, on the job. Who was his best teacher, and why? What mistakes did he see his father make? His friends' fathers? What did he like and dislike about his first boss? To get an outside point of view, he can swap experiences and opinions with his friends and his fellow executives. He can even learn something by talking to his seniors in management.

LEARNING FROM SUBORDINATES

Regardless of training, experience, and qualifications, it can successfully be argued that a man may step into trouble when he steps into a new job, particularly one outside his former experience. What can he do if he knows less about the field than his subordinates? What if he finds that they resent him, look down on him, patronize him?

Not every such problem can be solved. One of Brake Shoe's most successful men had a rough time on his first assignment at a newly acquired subsidiary. He was the only man there from headquarters and his colleagues decided quite incorrectly that he had been sent to spy and report on them. Though he tried valiantly to correct this misconception, in the end we had to transfer him. The same man later performed brilliantly as a division head.

The best advice that can be given to a man venturing into unfamiliar territory is "Don't pretend." There's nothing wrong in knowing less about the field than one's subordinates, but there is much wrong in feeling ashamed of it. Stubborn and troublesome resistance

is created by the man who doesn't know what a subordinate is talking about, but pretends he does.

We all show off to some extent. We all hate to confess ignorance. Yet "I don't understand, please explain it," is—more often than most people suspect—both the bravest and the wisest thing to say.

This problem is not confined, incidentally, to the man who moves into a new field. Even an executive promoted in his own field may be less expert than some of his assistants. The best possible plant superintendent isn't necessarily the greatest expert at molding, or core-making, or whatever the plant does. The best superintendent is the man with the best management skills, provided he has some general background for the job, the all-important ability to know what he doesn't know, and the good sense to choose subordinates who can compensate for his technical shortcomings.

There are, of course, fields where specialized training is indispensable. A comptroller must know finance and accounting; a director of research, in our company, must be an engineer. Yet, again, the most expert accountant doesn't necessarily wind up as comptroller, and the most highly qualified engineer may not even want to direct research. Here, as in all executive jobs, the human qualities loom largest. The greatest contribution the comptroller can make is that of having his figures used effectively—a project that requires ability to work with people. The stature of the research head is measured by the total contribution of his department, not by the projects he has personally carried through.

THE TEST OF MANAGEMENT

How does management know whether it is succeeding in the crucial job of developing a new generation of executives? Over the long pull, success can be measured by the character and extent of growth of the business. Currently, it can be gauged by the spirit displayed by junior executives and supervisors. When a president visits a plant and talks individually with various workers, it is important if a mechanic says proudly, "The boss is letting me try it a new way." When a foreman speaks of "our" department; when a salesman sticks out his neck to take care of a customer who needs fast service; when an accountant really hounds a superior to get some particular

expense back into line; when managers all the way up and down the line act in their own right and on their own initiative, the president knows he's developing men who can move forward.

This process of developing genuine executives means hard work—harder, in fact, than the old method of strictly limited authority under one-man control. Successful selection, training, and delegation, no matter how well organized, require endless attention and guidance. The man who gives his subordinates more authority also makes himself personally responsible for their success.

But his work is worth all the trouble, for he is building an organization that will continue to keep faith with its stockholders, its employees, and its customers long after the present management team has retired.

Military Leave Policies—A Survey

FEW COMPANIES are contemplating changes in their military leave policies because of the compulsory reserve training provisions in the Reserve Forces Act of last year, judging from a new survey of 159 firms conducted by the Bureau of National Affairs. Those that are considering policy changes—14 per cent of the larger companies (over 1,000 employees), 13 per cent of the smaller—stated that they intended to allow additional time off, but in most cases this would not be paid for.

Panel members for the most part saw no appreciable change in their hiring policies as a result of the new reserve training requirements. A small proportion, though, are exercising greater care in hiring, particularly into jobs calling for high skills or responsibilities.

At present, responses indicate that employees in over four-fifths of larger companies and nine-tenths of smaller firms may take reserve training outside their vacation periods, but usually receive no pay for such time. Where employees do get paid, they generally receive the difference between normal pay and base service pay, or the difference between normal company pay and service pay plus allowances. Employees required to take reserve training during their vacations almost always receive no additional pay (beyond vacation pay) for this period.

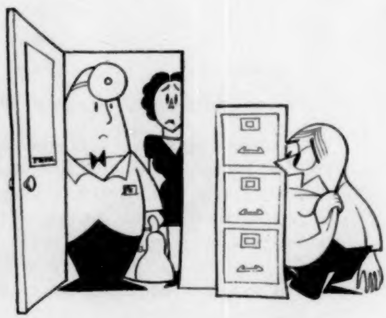
Nearly all companies with pension plans credit time spent in the service to employees' pensions. Only a fraction of companies with group insurance plans, however, continue to cover employees who enter military service; and only a fraction of companies that provide hospitalization and surgical benefits for employees' dependents continue these benefits.

What to Do Till the Doctor Comes

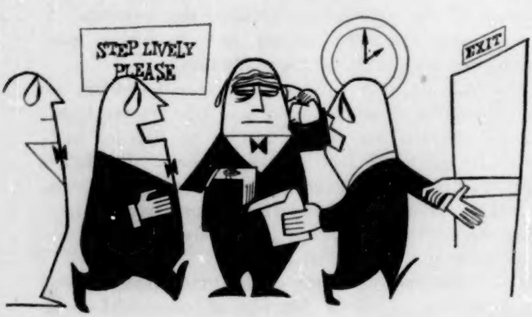
A HANDY HEALTH GUIDE FOR EXECUTIVES

ONCE UPON A TIME, people used to think that top-ranking business men paid for their success by exposure to a whole host of insidious "executive ailments." Today, however, some medical spoilsports allege that a president, given reasonable care, can last as long as a plumber or a piano-tuner. This, if true, does tend to rub some of the gilt off the managerial halo.

Nevertheless, martyrdom is still within the reach of any executive who is really determined to live dangerously. All that's needed is a bit of know-how. For instance:



Stay away from doctors. Regular medical examinations are for sissies, not human dynamos. Only a snivelling hypochondriac would enter a doctor's office under his own power.



Keep a taut schedule. Your time is the company's time, so don't waste one precious minute. Why coddle yourself with an occasional breathing spell? You're not being paid to breathe!

Combine business with pleasure—particularly at social gatherings. It's true that the deal you arrive at in an hour of chatter over the Martinis could be consummated in ten minutes of direct negotiation—but it wouldn't give you the same glow.

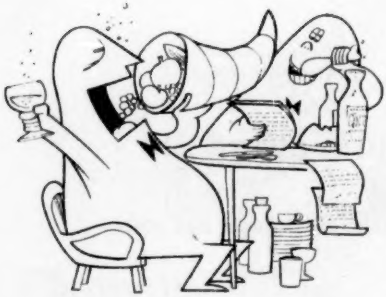
Have everything clear through you. Whether it's a million-dollar order or the bi-weekly sump-pump performance report, better give it a quick once-over to make sure it's been done right—i.e., the way *you* would have done it.

Never drop your guard. Keep up your dukes—and your adrenalin level—at all times. The boss asks you to lunch? He's planning to probe your inadequacies. A subordinate makes a suggestion? Watch him—he's gunning for your job!

Use your nights constructively. Why waste time sleeping when everyone knows the small hours are most favorable for flashes of creative insight? If your eyes persist in closing, mull over J.B.'s hint last week about possible cuts in your department.

Save your energies for the job. You're being paid to use your brain, not your muscles, so don't walk; travel by cab or company limousine whenever possible. Avoid all exercise like the plague, except when you must run to catch a train.

Smile if it kills you. What if the plant does break down while you're trying to make a contract deadline? What if the boss does turn down your carefully considered sales plan without a hearing? What if a subordinate's blunder does wreck that delicate, vital deal you'd been negotiating for months? Maintain a calm, imperturbable exterior at all costs. What's happening to your insides is nobody's business but the surgeon's.



Eat, drink, and be dynamic. You can doubtless close the deal over dinner (was it really lunch-time when you came in?). Anyway, the bigger the meal, the bigger the order. The company will be glad to pick up the check—and you've got plenty of insurance.

Put your vacation to use. It gives you a perfect opportunity to inspect all the plants in the Rocky Mountain Division. After you've reviewed the mid-season production plans, had a look at the new equipment and addressed a foreman's meeting, you can probably manage to fit in a round of golf with the plant manager.

Keep climbing. To reach the top, you should resolutely disregard any fatigue or injuries along the way. If you're controller, aim for treasurer. If treasurer, president. If president, why not buy out the competition? An impressive obituary is worth all the effort.

- *Text by* Lydia Strong
- *Drawings by* Al Hormel

Onward and Upward

What superman, friends, who's both super and wiser,
Supervises the supervisor?

What person, as bright as a scarlet tanager,
Can manage, I ask you, to manage the manager?

Who is there, indeed, just a little correcter,
Who in spite of all odds can inspect the inspector?

Yes, where is the creature possessed of omnisciency
Who checks on the checker of office efficiency

And rates all the raters and ranks all the rankers,
Promotes the promoters and thanks all the thankers

And hires all the hirers and founds all the founders
And pushes the pushers and hounds all the hounders?

In search of the top of the top of the pinnacle,
And growing at times somewhat weary and cynical,

Upward one goes till at last one arrives
At Presidents, Chairmen of Boards—and their wives!

—RICHARD ARMOUR

Planning for Effective Space Utilization

■ *R. L. Forster*

Manager, Space Planning Department,
Ebasco Services Incorporated

THE POST-WAR YEARS have seen many office problems grow in size and complexity, and the knowledge and techniques required to cope with the present-day conditions are a far cry from the requirements of only a decade ago. Administering a space program now involves much more than "making layouts." Space administration covers the entire field of providing the facilities for the office operation. From the management viewpoint, it must answer many questions: Where should the office be? In what kind of building? Should it be a single occupancy or shared with others? How much space should be under definite commitment? What provision should be made for the future? What "modernization" features are important? *Who* should be *where* in *how much* of the space? And, finally, what is the most efficient layout?

This listing is only general; developing the answers to any one of the questions can be a project of considerable magnitude. It is important to recognize that some of these problems *are* projects, and hence outside the scope of normal administration. The appropriate administrative responsibility must be vested in the manager who

will be responsible for office space administration. Basically, this responsibility is that of knowing the need so that problems can be anticipated and corrected before they become acute.

The first step in any application of scientific management is to understand the problem. The understanding of office space must begin with the recognition that space itself is unimportant; it becomes important only as it is related to the needs of the business. Space is a tool which by itself produces nothing, but combined with direct labor becomes productive. It therefore follows logically that the cost of space bears a direct relationship to the payroll dollar. In this connection, it is obvious that executive salaries are payroll, too. Money spent to improve the effectiveness of the organization, be it executive or clerical effectiveness, is not "luxury"—it is good business sense.

One of the knottier aspects of space administration is that space is one of the great "caste-makers" of the organization. The size of the private office, quality of carpeting, draperies, or venetian blinds, even the number of side chairs allotted to positions in "open" areas often reflect the "importance" of the individual more than his title does. Functional planning represents the only weapon against this type of space allocation—and, in some cases, even this weapon is not enough.

WHAT IS FUNCTIONAL PLANNING?

The term "functional" can apply to many aspects of a building—the materials used, the relationship of structure to appearance, or

A SEVEN-POINT SPACE ADMINISTRATION GUIDE

(*See pages 992-994*)

1. Determine present requirements.
2. Compare requirements with presently assigned space.
3. Take temporary corrective action.
4. Project future requirements by growth stages.
5. Compare present with long-range requirements.
6. Take all corrective steps that can be justified.
7. Keep all information current.

the suitability of the structure to the use to which it will be put. It is the last sense that applies to functional planning—the creation of a "space tool" to assist the business enterprise to accomplish the purposes for which it was organized. Efficiently planned space does not guarantee efficiency, but it makes efficiency possible if administrative management is effective.

Contrary to what many people seem to think, functional planning for effective operating use is an attempt to determine, not minimum facilities, but optimum facilities. "Prestige of position," for example, may itself be a function to be considered. Similarly, a private washroom in an executive office is not a luxury if it conserves the time of an executive who is paid (at $50,000 per year) about $4.50 per minute. It doesn't take very many minutes of saved time to pay for the cost of the added facility, particularly when it is remembered that the cost is amortized over a considerable period of time. It should also be noted, however, that improved facilities are in fact designed to save time—not necessarily money.

Size and location of offices are also determined by functional analysis, as are the desirability and location of conference rooms, special display areas, and so forth. Functional planning for effective use won't always solve *all* the problems, but the correct assemblage of facts will often isolate the situations that require corrective action.

LONG-RANGE PLANNING

Space administration must also consider the long-range factors that affect the company. A five-year plan may be short-term in one business, fantastically imaginative in another. Certainly, however, planning should cover a period at least as long as the lease, or a minimum of ten years.

The costs of finishing space in accordance with today's standards can assume prohibitive proportions unless adequate provision for change is made in the original planning. Here again, the average standards of a decade ago were not so demanding of the planner. Today, engineered lighting, acoustical treatment, floor covering, paint schemes, air-conditioning—to mention only a few—have proved themselves as tools of efficiency, but they are expensive to install and even more expensive to change. The results of planning

for future needs—or of lack of planning—can be measured in dollars.

Even more basic, however, inadequate planning may even become a limiting factor on the business itself. Although it has been carefully considered in the factory, very little thought has been given in the past to the effect of company growth on the number of office personnel. As a consequence, many an office that started as an efficient establishment has grown into an impossible hodge-podge of separated or crowded operations. Again, adequate long-range planning would certainly have minimized these problems.

DETERMINING SPACE REQUIREMENTS

Any program of space administration must be based on complete and accurate information, gathered and kept current. These seven steps outline an effective method of insuring that management will have available the information necessary to maintain optimum utilization of office space in the company.

Step No. 1. *Determine present requirements.* To start the program, an analysis must be made to determine the amount and location of space that is needed for each operation at the present level of business activity. This is not to be confused with the record of space presently assigned—although that information should obviously be a matter of record. It is rather a listing of the amount of space that *should be* assigned to carry on the business at hand with optimum efficiency. Unfortunately, this is a lengthy and involved operation, requiring the study of each different job in the organization. Where several persons are doing exactly the same type of work every day, obviously only one position will need to be studied—but only when the positions are really identical.

During the analysis of the job and the determination of space required to do the most effective job possible at that work station, three additional types of information should be accumulated:

1. The kind and size of equipment most applicable to the operation;
2. The flow of work to and from the position;
3. The "yardstick" that most effectively measures the effect of company activity on that particular position.

Because people and their work place equipment are the basic

reasons for space requirements, this knowledge is one of the important tools of the effective space administrator. Developing these data will usually require the active collaboration of the methods staff, perhaps the management planning staff, and certainly the departmental supervisor or manager. Some of this information may already be available, but it is a good idea to review it at this time, if for no other reason than to secure complete concurrence in its applicability. The "yardsticks," when developed, actually form the basis for projecting manpower budgets.

Step No. 2. *Compare requirements with presently assigned space.* This step need hardly be mentioned, for it is actually an automatic action. It is significant to mention, however, that there now is no guesswork, no "opinionating," about the comparison.

Step No. 3. *Take temporary corrective action.* It will be the rare company where glaring inadequacies do not appear as a result of Step 2. The most serious of these should be corrected as expeditiously as possible, but no general rearrangements or postponable corrections should be made until *after* Step 4.

Step No. 4. *Project future requirements by growth stages.* From the previous steps, information is available to show requirements for the present work force, and yardsticks have been developed to show the elements in the business activity that cause work load for the various units. This information is now used to project the size of the work force, position by position, for a number of growth stages in the future—say 10, 25, or 50 per cent increase, or whatever growth appears reasonable for the particular company. Prudent planning may also anticipate the effect of a decline in activity, either on a company-wide basis or in selected segments of the organization.

Step No. 5. *Compare present with long-range requirements.* The purpose of this step is to discover the impact that changes in business volume will make, and to determine the extent of "protection" it is economically feasible to provide. At this stage, also, it will be necessary to consult with top management planners to attempt to assign calendar years to the growth stages that have been projected. This is not an impossible task, nor is it overly critical in its significance: The long-range requirements have been based on percentage growth, and attaching probable "target years" only gives a time significance that will assist in determining the amount of expansion

to provide. An easy check can be made periodically to see how closely actual growth matches the anticipation. Regardless of the rate of growth, the company now knows what its space requirements will be if and when the various targets are reached.

Step No. 6. *Take all corrective steps that can be justified.* With both present and future requirements blueprinted, it is now possible to set up the space in the most efficient manner possible under governing conditions. It would be folly to suggest that any such result would ever be 100 per cent perfect. The limitations of buildings, corporate pocketbooks, differences in judgment—all these and many more combine to make compromise inevitable. But with so much knowledge at hand, the compromises must be better and the differences of opinion more easily resolved.

Step No. 7. *Keep all information current.* Since information has value only as it is correct and applicable, periodic checks should be made. Their frequency will be determined by the characteristics of the particular company. Once a year is the minimum—but checks made more frequently will usually require less time. It is taken for granted that actual floor plans will always be current, but it is not safe to rely solely on them for checking, for changes within existing allocations are even more important than partition shifts.

MAINTAINING THE PROGRAM

This program may sound like a lot of work. It is. It may sound as though a tremendous amount of information is being accumulated. Again, that is true. Any company large enough to have a space problem, however, stands to benefit from the adoption of a space administration program. Obviously, the amount of work required will vary with the size of the organization.

The bright spot on the horizon is that only the establishment of the program involves a great deal of time and effort. In some cases, this may be considered "project" work and outside assistance secured to surmount this first hurdle. Regardless of how it is done, however, the continuing maintenance of the program is a space administration job that cannot be relegated to "project" status. An alert and progressive management will always need accurate and current information to maintain optimum utilization of its office facilities.

Toward a Dynamic Organization

■ *A. A. Stambaugh*

SERVICE TO THE CUSTOMER, with all its implications, is today the driving force in most business organizations. Together with competition, it provides the challenge needed in an active organization. Implemented by effective management policies, it enables the employee to obtain the satisfaction of achievement that is essential to his nature.

It has been amply demonstrated that the successful company must provide its employees with more than financial incentives and security. In the light of today's challenges, the philosophy by which management implements its basic objectives must also provide the members of the organization with the opportunity to express themselves as individuals.

Freedom of religion, freedom of the press, and freedom of enterprise spring from the same source and flourish in the same soil, because they are part of the same thing. Basically, competition in the market place arises from the attempt of the individual to assert

Mr. Stambaugh, formerly Chairman of the Board of the Standard Oil Co. (Ohio), is a past vice president and director of AMA. This article is based on a paper originally presented before the AMA School of Management.

his freedom by deciding what and from whom he will buy and how much he will pay. Competition is the essence of democracy.

Organization management, if it is to succeed, must deal with the same dynamic force. The role of the individual in industry must be such that it permits him to express himself as an individual. It must satisfy his emotional as well as his rational needs if his full potential is to be released on the job. He reaches out for the right to make decisions, subject to assurance from his associates that his decisions are in keeping with the aims of the organization. In short, he demands freedom to achieve and appropriate recognition for his achievement.

MANAGEMENT DEMOCRACY

Many companies struggling with the problem of retaining the advantages that go with bigness while preserving the values that were common in the days of smaller institutions have found the solution in decentralization—in bringing the power to decide as closely as possible to the individual affected and to the facts involved.

It takes less gray matter and energy to centralize authority into a regimented dictatorship than to decentralize the organization on the basis of democratic efficiency. Effective decentralization depends upon top management's knowing what it is delegating, to whom it is delegating, and what happens thereafter. Any other shift of authority is abdication, not delegation.

ORGANIZING FOR DECENTRALIZATION

For decentralization to be effective, the layers of management must be reduced to a minimum. The greater the number of levels, the greater will be the insulation between the top and the bottom of the organization. As the problems of management multiply and become more burdensome, the challenge should whenever possible be met with staff rather than line support.

Decisions should be assigned for final adjudication as far down in the organization as the requirements for coordination will permit, not relayed up the organization ladder for the sole reason that they are "too important" to be dealt with at a lower level.

It should also be made clear that no member of management is relieved from responsibility because he acted "under instructions" or "within the company's policy." Each individual should be charged with the primary responsibility for protecting the company's interests; his responsibility for appropriately dealing with the limitations on his authority must be incidental.

This presumes, of course, that the subordinate has the judgment to know not only when but how to vary the regular operational pattern. It is not possible for top management to draft blueprints and regulations that will adequately serve the company's interests under all circumstances. And if the organization is to be a live one under constantly changing conditions, it must maintain policies that keep it sensitive to those changes. An emergency might even require a subordinate to vary instructions without notice. Ordinarily, subordinates have a duty to challenge limitations on their authority that, in their judgment, do not reflect the company's interest.

The important thing is to place squarely on the man on the job the responsibility for seeing that the company's interests are served, and to permit him to take appropriate steps under the circumstances. Even error on his part will serve the purpose of education. No member of the organization should be afraid to make a mistake if his motives and judgment are reasonably sound; on the contrary, the company cannot afford to keep men who hide behind regulations and instructions because they are afraid to act.

RESULTS OF DECENTRALIZATION

With decentralization of responsibility and authority, the good executive is no longer frustrated by clashes between practical requirements and the limitations of his authority. He is free to act, and, even if he is wrong and his ideas do not prevail, he will have been educated in the attempt. He feels important because he *is* important, and handling his increased responsibility stimulates his development and growth.

With this kind of organization, management becomes flexible and realistic instead of rigid and dogmatic. Policies and regulations become sensitive to the need for change.

If decentralization is to succeed, managers must be able and qualified. Effective decentralization requires, therefore, a continuing program of management development. This should be a line responsibility second only to that for daily operations.

BUDGETING MANAGEMENT NEEDS

Like capital requirements, management needs for long periods ahead should be budgeted. At Standard Oil (Ohio), for example, the Sales Department maintains a list of hundreds of potential managers. This record, which includes aptitude and interest tests, individual performance records, appraisal by line managers, and each man's review of his own problems, is reviewed periodically with each individual and his immediate superior. The actual appraisal is the responsibility of the line superior; all others, including the man himself, assist by functioning as witnesses. The advantages that have been observed from this approach include an awakened interest among managers in bringing their men along; increased morale, owing to greater confidence in the system of promotions; better placement of management material; a stepped-up ambition for improvement on the part of management; and a better-stocked management larder.

Other things being equal, it is preferable to build managers rather than buy them from outside the organization. Nevertheless, it is always advisable to keep looking on the outside for better men than may be available within the company. As a general rule, of course, openings should first become available to members of the organization, and the greatest care should be used to avoid injustices. When this is known to be the company's policy, the reasons for such rare exceptions as may prove desirable will be obvious to everyone. The principal advantage in such a policy lies in the fact that it keeps everyone objective, and no one is likely to assume that he has a mortgage on any position. Therein lies the real danger of injustices.

USE OF COMMITTEES

The proper use of committees is usually a necessary adjunct of a well-coordinated management. This is especially true when its members are made up of those charged with line responsibility. Since a committee is ordinarily without power, a line manager can

adopt its recommendations without abdicating his responsibility. Committees are helpful in developing and organizing ideas for the line manager and in corroborating his thinking.

CHANNELS OF COMMUNICATION

There should exist at all times adequate communication of essential ideas throughout the organization. The ideal objective is to facilitate the flow of ideas to such an extent that meetings and time-taking diversions are reduced to a minimum. In setting up essential and necessary meetings, line operations must not be unduly disturbed. There is a rhythm in these operations, and top management should avoid disrupting it unnecessarily with meetings, programs, research, or special studies. All these activities, helpful as they are, should be kept out of the main stream of operational traffic. Otherwise, customers may be lost and managers frustrated. In fact, whenever organizational routine clashes with top management, it is usually better to allow operations to proceed and review the action after the fact, rather than hold up the operational flow.

ASSURING OBJECTIVE DECISIONS

To achieve a dynamic organization by the democratic route, management must maintain throughout the organization an atmosphere in which problems can solve themselves because everyone finds it to his interest to be honestly objective. The best line managers seldom issue direct orders; decisions seem to organize themselves in the course of daily experience.

Of course, everyone must know where authority lies, and authority should speak when necessary. But a dynamic organization must be built on the feeling of each individual that he is free to make the full contribution of which he is capable, and that the success of the enterprise is in some measure his personal responsibility.

STATISTICS show that most business men read at a rate below the college level (300 words per minute), and that their comprehension is far too low. And 90 per cent of them could at least double their reading speed and—much more important—boost their comprehension considerably, *Business Week* magazine points out.

THE POWER ELITE. By C. Wright Mills. Oxford University Press, New York, 1956. 423 pages. 6.00.

*Reviewed by Herman S. Hettinger**

Readers of this earnest volume will put it down with widely varying reactions, depending upon their judgment of the evidence presented by the author in support of his thesis and the competence of his analysis. They may find the book stimulating, boring, irritating—or, if they regard its thesis as proved, frightening.

Professor Mills contends that there is in this country a power elite, operating in an environment far removed from that of the average citizen, which makes the major decisions affecting national life. Its members do not rule alone, however; they have advisers, consultants, spokesmen, and opinion-makers who often direct their thought and action. Immediately below these upper strata are the middle levels of power: the professional politicians in Congress, in the pressure groups, and among the upper classes, new and old, throughout the country.

The members of this elite stand at the pinnacle of the enlarged, centralized, and increasingly interlocking structure of economic, military, and political hierarchies in America. They are the political directorate, the corporate rich, and the high military, endowed with the great prestige that attaches to their organizations (a prestige that depends, often decisively, upon access to the publicity machinery now a central feature of all big institutions) and wielding a power unequalled in human history.

The men who occupy these top command posts are involved in a set of intricately connected cliques. They tend, the author shows, to have a common background—historically, the upper class family, but more frequently today, the proper secondary school and metropolitan club. This gives them a certain psychological similarity, as well as common social ties. But the unity of the power elite derives less from these factors than from an awareness of common interest: "As the institutional mechanics of our time have opened up avenues to men pursuing their several interests, many of them have come to see that these interests could be realized more easily if they worked together, in informal as well as formal ways, and accordingly they have done so." This unity is strengthened by the constant shifting of the same personnel among the top command posts—the business executive assumes authority over the military, the general in turn becomes a business executive or dons the statesman's mantle, and so forth.

Although the power elite are not always the history-makers, in time of crisis they are drawn almost inevitably into the shaping of decisions, and hence must be held accountable for certain decisive historical events.

* Vice President, D. M. S. Hegarty & Associates, Inc.

In conclusion, the author sums up his indictment of the power elite: They are not representative men; their success is not necessarily connected with meritorious ability; they have not been selected and formed by a civil service that is linked with the world of learning and sensibility; they have not been shaped by parties that debate national issues openly and clearly; they are not held in check by a plurality of associations connecting debating publics with the pinnacles of decision-making. In short: "Commanders of power unequalled in human history, they have succeeded within the American system of organized irresponsibility."

Such is the author's thesis, somewhat oversimplified, perhaps, in this summary. In support of it, he introduces a large body of data and a commentary on various subjects: the top circles in the average middle-sized city; the so-called "metropolitan 400"; the celebrities who add glamor to the circle of the elite; the very rich, the chief executives (including the corporate rich), and the warlords; the alleged ascendancy of the military today; the mass society; etc.

To pass judgment on such a variety of issues, with all their ramifications, is probably beyond the competence of any single individual. While the author's description of "local society" appears accurate enough, his treatment of the higher echelons would seem to need considerable qualification. In the field of economics (where this reviewer may claim some competence), Professor Mills has left himself open to criticism on several grounds. For example, his argument with Galbraith and Berle is inconclusive; his handling of the data on the background and qualifications of executives seems more an exercise in counting than a serious analysis; it is difficult to accept his allegations of the dominance of the corporate behemoth in the face of the complexity and interdependence of the American economy. Finally, his failure to take into account the power of labor and agricultural groups today is, to say the least, perplexing. One could quibble on other points, also.

In short, Professor Mills presents a picture of contemporary society that fails to jibe with this reviewer's own observations and experience. While other readers may reach a different conclusion, his verdict is, "No Sale!"

Briefer Book Notes

(Please order books directly from publishers)

GENERAL

THE ESSENCE OF MANAGEMENT. By Mary Cushing Niles. Orient Longmans, Calcutta, India, 1956. 460 pages. $3.75. (Distributed in the U.S. by Sidney Kramer, 1722 H Street N.W., Washington, D.C.) A synthesis of management principles and practices in the Western world, prepared especially as an aid in training managers in India. Demonstrating a broad humanistic

outlook, the author integrates the concepts of scientific management with the latest findings from social science and human relations research and emphasizes the role that efficient management can play in raising living standards and furthering democratic processes. The book should afford the American reader an objective view of the development of management principles and practice in this country, as well as fresh insights into the problems of management in newly industrialized regions. An American edition, embodying a number of changes designed to adapt the text to the level of management ideas and institutions in this country, is in preparation and will be published in 1957.

ANTITRUST LAW: *Symposium-1956.* Commerce Clearing House, Inc., 214 N. Michigan Avenue, Chicago 1, Ill. 1956. 133 pages. $2.50. Included in these proceedings of the eighth annual meeting of the Section on Antitrust Law of the New York State Bar Association are papers and addresses grouped under three main topics: the antitrust merger problem; antitrust law progress; and organized labor and the antitrust law.

AUTOMATION AND ELECTRONICS: *A Guide to Company Experience.* By Henry C. Thole. Management Research Service, 1342 Cherry Street, Kalamazoo, Mich. 1956. 26 pages. $1.00. A bibliography listing over 200 case studies of factory and office experience with automation collected from conference proceedings, periodicals, and books. The listings are organized by industry and by subject matter, and an alphabetical index of the companies referred to is appended.

WHAT THE TARIFF MEANS TO AMERICAN INDUSTRIES. By Percy W. Bidwell. Harper & Brothers, New York, 1956. 304 pages. $5.00. Has foreign competition actually damaged American industry? How much is fact, and how much fancy, in the perennial disputes over tariff policy and its consequences? This study, based on observations of a representative sample of eight industries, extensive interviews, and printed sources, attempts to answer these and similar questions.

15 MILLION NEGROES AND 15 BILLION DOLLARS. By William K. Bell. William K. Bell Publications, P. O. Box 185, College Station, New York 30, N.Y. 1956. 147 pages. $1.50. Directed primarily to the Negro community, this book discusses how Negroes themselves can better their economic and social position by exploiting the opportunities afforded by the increase in their earning and spending power since World War II.

STATISTICS FOR MANAGEMENT: *A Simplified Introduction to Statistics.* By B. J. Mandel. Dangary Publishing Co., Baltimore, Md., 1956. 408 pages. $6.00. An introduction to the principles and methods of statistics designed primarily for students and business executives who have no previous analytic or mathematical training. Selective in subject matter and lucidly organized, it should serve as a practical guide to the use of statistical methods in management operations.

ELEMENTARY STATISTICAL METHODS: *As Applied to Business and Economic Data.* By William Addison Neiswanger. The Macmillan Company, New York, 1956. 749 pages. $6.90. This revised edition has been substantially

rewritten and expanded. Among the topics given additional emphasis are problems of statistical inference, especially the so-called "non-sampling errors of sampling," and statistical methods of managerial control, including the use of probability analysis in decision making.

FINANCE

MACHINE TOOL LEASING. By J. L. Treynor and Richard E. Vancil. Management Analysis Center, Inc., 275 Newbury Street, Boston, Mass. 1956. 147 pages. $15.00. An analysis of arrangements currently in use for leasing machine tools, with a summary of 16 representative leasing plans. Questioning the adequacy of conventional methods which merely compare the sum of rentals with the purchase-price-less-salvage value, the authors emphasize other factors in valuation: the potential earning power of funds released by rental, and both the cost and non-cost aspects of the leasing decision.

FINANCIAL PLANNING IN INDUSTRY. By H. O. Goldschmidt. H. E. Stenfert Kroese N.V., 38 Pieterskerkhof, Leiden, Holland. 1956. 173 pages. F.22.80. A theoretical formulation of the principles of financial management. With the aid of modern mathematical methods, including linear programming, the author analyzes the factors within the enterprise that determine the need for capital, constructs norms to guide the enterprise in drafting its financial program, and offers solutions to specific problems of financing by reference to these norms.

BASIC ACCOUNTING AND COST ACCOUNTING. By Eugene L. Grant. McGraw-Hill Book Company, Inc., New York, 1956. 377 pages. $6.00. Written specifically for the non-accountant, this text is organized in three parts: (1) accounting fundamentals; (2) the elements of cost accounting; and (3) a brief discussion of forms of business organization, income taxes, depreciation, budgets, and interpretation of financial statements.

PRODUCTION

DYNAMIC FACTORS IN INDUSTRIAL PRODUCTIVITY. By Seymour Melman. John Wiley & Sons, Inc., New York, 1956. 238 pages. $4.75. This study inquires into the reasons for differences in productivity among manufacturing industries. Using comparative data drawn primarily from the United States and the United Kingdom, the author focuses his investigation on the following relationships: How the alternative costs of labor and machinery influence mechanization decisions; how mechanization affects labor productivity; and how labor productivity is limited by the growth of administrative overhead.

TECHNIQUES OF PLANT MAINTENANCE AND ENGINEERING, 1956: *Proceedings of the Technical Sessions of the Seventh National Plant Maintenance and Engineering Show*. Clapp & Poliak, Inc., 341 Madison Avenue, New York, N. Y. 1956. 248 pages. $10.00. Included in these proceedings are papers and discussions on preventive maintenance, measures of effective maintenance, sanitation, equipment-replacement policies, services of independent contractors, design and operation of maintenance shops, and maintenance controls.

THE MATERIALS HANDLING MANUAL: ***Volume I—Basic Principles of Handling.*** Edited by V. H. Laughner. Boston Publishing Company, Inc., 795 Boylston Street, Boston 16, Mass. 122 pages. $5.00. A sourcebook of methods and techniques in materials handling covering the over-all problems of handling, plant layout and operation, warehousing and storage, packages and unit loads, shipping and receiving, and handling special shapes.

PROCEEDINGS OF THE CONFERENCE ON CASE STUDIES IN OPERATIONS RESEARCH: ***A Cross Section of Applications in Business and Industry.*** Operations Research Group, Engineering Administration Department, Case Institute of Technology, 10900 Euclid Avenue, Cleveland 6, Ohio. 1956. 64 pages. $5.00. Featured in these proceedings are five case studies, each from a different type of business, demonstrating how operations research was applied in motor-freight scheduling, production and inventory control, organizational planning, rate analysis in a public utility, and utilization of truck dock facilities.

FACTORY ELECTRIFICATION. By F. T. Bartho and C. H. Pike. Philosophical Library, Inc., 15 East 40 Street, New York 16, N. Y. 1956. 398 pages. $12.00. A guide to the selection, operation, and maintenance of electrical equipment for factories. The authors, both experienced power engineers, deal with the problem in practical terms but emphasize at the same time the general principles involved in electrification. The capabilities and limitations of the various forms of equipment are examined and representative types described.

RADIOISOTOPES, THE WONDER TOOL. Edited by Walter A. Shead. The Atomic Energy Guideletter, 1420 New York Avenue, N.W., Washington 5, D. C. 1956. 90 pages. $7.50. This non-technical sourcebook on the practical uses of radioisotopes in industry covers such subjects as the technical ABC's of radioisotopes; how and where to buy them; regulations of the Atomic Energy Commission governing their purchase or possession; and specific examples of their use in industry.

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